EXCISE TAXES TO FUND RECREATIONAL BOATING SAFETY AND FISH RESTORATION AND MANAGEMENT PROGRAMS, AND ESTABLISHMENT OF A U.S. FISH AND WILDLIFE FOUNDATION

HEARING

BEFORE THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

NINETY-EIGHTH CONGRESS

FIRST SESSION

ON

H.R. 2163 and H.R. 2809

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EXCISE TAXES TO FUND RECREATIONAL BOATING SAFETY AND FISH RESTORATION AND MANAGEMENT PROGRAMS, AND ESTABLISHMENT OF A U.S. FISH AND WILDLIFE FOUNDATION

THURSDAY, JUNE 2, 1983

House of Representatives,
Committee on Ways and Means,
Washington, D.C.

The committee met at 9:45 a.m., pursuant to notice, in room 1100, Longworth House Office Building, Hon. Dan Rostenkowski (chairman of the committee) presiding.

[Press release announcing the hearing follows:]

[Press release of Tuesday, May 24, 1983]

Hon. Dan Rostenkowski (D., Ill.), Chairman, Committee on Ways and Means, U.S. House of Representatives, Announces Hearings on H.R. 2163 and H.R. 2809, Two Bills Sequentially Referred to the Committee Until July 15, 1983

The Honorable Dan Rostenkowski (D., Ill.), Chairman of the Committee on Ways and Means, U.S. House of Representatives, today announced that the Committee will hold hearings on H.R. 2163, relating to excise taxes to fund recreational boating safety and fish restoration and management programs, and H.R. 2809, establishing a United States Fish and Wildlife Foundation. Both bills have been reported by the Committee on Merchant Marine and Fisheries, and have been sequentially referred to the Committee on Ways and Means until July 15, 1983. The hearing will be held on Thursday, June 2, 1983, beginning at 9:30 a.m., in the Committee's main hearing room, Room 1100 Longworth House Office Building.

A. H.R. 2163: Revisions to the Tax Aspects of the Recreational Boating and Fish and Wildlife Programs

Under present law, a manufacturers excise tax of 10 percent is imposed on the sale by a manufacturer, producer, or importer of fishing rods, creels, reels, and artificial lures, baits, and flies. Revenue accruing from these excise taxes on fishing equipment is authorized to be appropriated to the States to carry out sport fish restoration and management projects.

Present law also imposes, through September 30, 1988, excise taxes of 9 cents per gallon on gasoline and special motor fuels used in motorboats. Up to $45 million in revenues from these motorboat fuels taxes is deposited into the National Recreational Boating Safety and Facilities Improvement Fund (the Boating Fund). Amounts in the Boating Fund cannot exceed $45 million at any one time. Amounts above the $45 million are transferred into the Land and Water Conservation Fund. The Secretary of Transportation is authorized to expend an amount equal to the revenue transferred to the Boating Fund. Boating Fund revenues are allocated one-third for recreational boating safety programs and two-thirds for recreational boating facilities improvements.

As reported by the Committee on Merchant Marine and Fisheries, H.R. 2163 would impose a 10-percent manufacturers excise tax on the sale of numerous items of sport fishing equipment and a 3-percent manufacturers excise tax on the sale of electric trolling motors and fishfinders (other than digital depth finders). H.R. 2163 would delay for at least 3 months liability for payment of the tax on sport fishing equipment. The bill does not change the rate of taxes imposed on motorboat fuels.

H.R. 2163 would rename the Boating Fund the National Recreational Boating Safety Fund and would continue the deposit of up to $45 million of motorboat fuels taxes into that Fund. Excess motorboat fuels tax revenues would be transferred to the general fund rather than the Land and Water Conservation Fund. H.R. 2163 also modifies the allocation of revenues for both recreational boating and sport fishing purposes and, for the first time, provides for an allocation of Boating Fund revenues for services provided by the Coast Guard for recreational boating safety. In addition to the allocation of revenues from the tax on sport fishing equipment and the excess revenue from motorboat fuels taxes not transferred to the Boating Fund for fish restoration programs, H.R. 2163 would provide that revenues from import duties imposed on fishing tackle and on yachts and pleasure craft would also be available for that purpose.

B. H.R. 2809: National Fish and Wildlife Foundation Establishment Act

The Fish and Wildlife Improvement Act of 1978 (Public Law 95-616) authorizes the Secretary of the Interior to accept gifts or bequests of real or personal property, or income therefrom, for the benefit of the U.S. Fish and Wildlife Service. Any gifts or proceeds from the sale of properties were to be deposited into a separate account at the Department of the Treasury where these monies would be disbursed for the benefit of the U.S. Fish and Wildlife Service pursuant to an order by the Secretary of the Interior.

H.R. 2809 would establish the National Fish and Wildlife Foundation as a charitable nonprofit organization to encourage, accept, and manage private donations for the benefit of the U.S. Fish and Wildlife Service and to conduct such other activities as will further the conservation and management of fish and wildlife resources.

The bill would exempt from Federal, state, and local taxes any income or property received or owned by the Foundation, and all transactions relating to such income or property. Contributions, gifts, and other transfers to the Foundation would be treated as contributions or gifts to the United States, and thus could qualify for a charitable contribution deduction under Internal Revenue Code section 170(b)(1)(A)(v).

In addition, the bill would deem the conveyance of any qualified real property to the Foundation to further a governmental policy and yield a significant public benefit and thus would meet the requirements for a deduction of a qualified conservation contribution of the Internal Revenue Code (section 170 (f)(3)(B)(iii) and (h)(4)(A)(iii)(II)).

DETAILS FOR SUBMISSION OF REQUESTS TO BE HEARD

Individuals and organizations interested in presenting oral testimony before the Committee must submit their requests to be heard by telephone to Harriett Lawler ((202) 225-3627) no later than noon, Tuesday, May 31, 1983, to be followed by a formal written request to John J. Salmon, Chief Counsel, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. Notification to those scheduled to appear will be made by telephone as soon as possible after the filing deadline.

In order to assure the most productive use of the limited amount of time available to question witnesses, witnesses scheduled to appear before the Committee are required to submit 125 copies of their prepared statement to the Committee office, room 1102 Longworth House Office Building, at least 24 hours in advance of their scheduled appearance.

Each statement to be presented to the Committee or any written statement submitted for the record must contain the following information:

(1) The name, full address, and capacity in which the witness will appear (as well as a telephone number where he or his designated representative may be reached);

(2) A list of any clients or persons, or any organization for whom the witness appears; and

(3) A topical outline or summary of comments and recommendations.

For those who wish to file a written statement for the printed record of the hearing, six copies are required and may be submitted by the close of business Thursday, June 16, 1983, to John J. Salmon, Chief Counsel, Committee on Ways and Means, U.S. House of Representatives, room 1102 Longworth House Office Building, Washington, D.C. 20515. An additional supply of statements for the printed record may be furnished for distribution to the press and public if supplied to the Committee office during the hearing.

Chairman ROSTENKOWSKI. The committee will come to order.

Today, the committee will hear from the administration, Members of Congress, and others on H.R. 2163 and H.R. 2809. H.R. 2163 would expand the items subject to the 10-percent excise tax on fishing equipment and certain other articles used in sport fishing.

H.R. 2809 would establish a national fish and wildlife foundation as a charitable, not-for-profit organization to encourage, accept, and manage private donations for the benefit of the U.S. Fish and Wildlife Service.

H.R. 2163 and H.R. 2809 were reported by the Committee on Merchant Marine and Fisheries on May 16, 1983. Both bills have been sequentially referred to the Committee on Ways and Means until July 15, 1983, for consideration of those provisions within this committee's jurisdiction.

The committee will want to consider carefully the views of the administration on both of these bills as well as those of our colleagues on the Merchant Marine and Fisheries Committee. Therefore, I welcome to the committee Robert Woodward, Acting Tax Legislative Counsel, Department of the Treasury, and Mr. Ray Arnett, Assistant Secretary for Fish and Wildlife and Parks, U.S. Department of the Interior.

Welcome, gentlemen.

If you are ready to proceed, the committee is ready to receive your testimony.

STATEMENT OF ROBERT WOODWARD, ACTING TAX LEGISLATIVE COUNSEL, DEPARTMENT OF THE TREASURY

Mr. WOODWARD. Thank you, Mr. Chairman.

I am pleased to have the opportunity to present the views of the Treasury Department on the tax provisions of H.R. 2163 which would increase the excise tax revenues earmarked for the Dingell-Johnson sport fish restoration and management program, and H.R. 2809, which would establish the U.S. Fish and Wildlife Foundation.

I will first discuss H.R. 2163, which would amend the excise tax on sport fishing equipment to expand the Dingell-Johnson sport fish restoration and management program. The Dingell-Johnson Act provides aid to the States for the restoration and management of all species of fish that have material value in connection with sport or recreation in U.S. waters. The program is administered by the Department of the Interior and financed by the earmarking of general revenues equal to those derived from the 10-percent manufacturers' excise tax imposed under the Internal Revenue Code, section 4161(a). This tax is imposed on sales by manufacturers, producers, and importers of fishing rods, creels, reels, and artificial lures, baits, and flies—including parts or accessories of such articles sold on or in connection therewith, or with the sale thereof.

The Recreational Boating Safety and Facilities Improvement Act of 1980, as amended and extended through fiscal year 1988 by the Highway Revenue Act of 1982, established a National Recreational Boating Safety and Facilities Improvement Fund to provide aid to the States for recreational boating safety and facilities improvement. The program is administered by the Department of Transportation and is currently financed by up to $45 million per year of revenues from the excise taxes imposed under code sections 4081 and 4041(a)(2) on gasoline and special motor fuels used in motorboats. The excess, if any, of such revenues over the $45 million annual and total fund limits of code section 9503(c)(4) is currently deposited in the Land and Water Conservation Fund. The Land and Water Conservation Fund is expended primarily for land and water area acquisition costs, including the cost of acquiring national parklands, wilderness area lands, and national recreation areas.

Under current Treasury regulations, a manufacturer or retailer generally is required to file an excise tax return quarterly on or before the last day of the first month after the end of the quarter. Although most Federal excise tax returns are filed on a quarterly basis, current Treasury regulations generally require monthly or semimonthly payment of the tax. If a taxpayer is liable in any month—other than the last month of a calendar quarter—for more than $100 of excise tax and is not required to make semimonthly deposits, the taxpayer generally must deposit the amount on or before the last day of the next month. If a taxpayer has more than $2,000 in excise tax liability for any month of a preceding calendar quarter, such taxes generally must be deposited for the following quarter—regardless of amount—on a semimonthly basis. Under the semimonthly system, the taxes generally must be deposited by the ninth day following the semimonthly period for which they are deposited.

Title I of H.R. 2163 would amend the expenditure guidelines of the National Recreational Boating Safety and Facilities Improvement Fund to eliminate expenditures for facilities improvement and would rename this fund the National Recreational Boating Safety Fund—the Boating Safety Fund. In addition, the bill would provide budget authority for two-thirds of the amount required to be transferred to the Boating Safety Fund to be used for State boating safety programs and one-third of the amount required to be transferred to the Boating Safety Fund to be available for expenditure out of the operating expenses account of the U.S. Coast Guard for services provided by the Coast Guard for recreational boating safety, including services provided by the Coast Guard Auxiliary. Any revenues from the excise tax on gasoline and special motor fuels used in motorboats in excess of the $45 million annual and total fund limit on the Boating Safety Fund would be transferred to the general fund of the Treasury to be earmarked for the Dingell-Johnson program, rather than to the Land and Water Conservation Fund as presently provided.

Title II of H.R. 2163 would amend the expenditure guidelines of the Dingell-Johnson program and would make three changes that would greatly increase the revenue to be earmarked for the program. First, the bill would expand the types of items currently subject to the sport fishing equipment excise tax by levying a tax of 10 percent upon the sale by a manufacturer, producer, or importer of all sport fishing equipment, and a tax of 3 percent on sales of electric trolling motors and fish finders—other than digital depth finders. The bill defines the term "sport fishing equipment" to include a lengthy list of items that are set forth in the statement. I should note that included in this list of many specific items are also some very general categories such as "terminal tackle" and "fishing supplies and accessories." The list also includes "other similar items designed for use in recreational fishing."

The second change made by title II of the bill to expand the Dingell-Johnson program is to earmark revenues from the import duties on fishing tackle, yachts, and pleasure craft for the Dingell-Johnson program.

Third, the bill would earmark revenues from the excise taxes on gasoline and special motor fuels used in motorboats, to the extent such revenues exceed the $45 million annual and total fund limit on the Boating Safety Fund, for the Dingell-Johnson program, rather than transferring such funds to the Land and Water Conservation Fund as presently provided.

The bill also would extend the time for paying the excise tax on sport fishing equipment.

The bill would not amend the time prescribed under present law for filing excise tax returns or the time for payment of such taxes on articles other than sport fishing equipment.

The amendments made by H.R. 2163 to the excise tax on sport fishing equipment would be effective with respect to articles sold after December 31, 1983. The nontax amendments would be effective on October 1, 1983.

Title I of the bill deals mainly with changing the expenditure of Boating Safety Fund moneys. We understand that the Department of Transportation is currently preparing a report on this aspect of the bill, which will be submitted at a later date.

As previously discussed, title II of the bill makes three tax changes to increase the revenue earmarked for the Dingell-Johnson program. The administration generally supports the expansion of the sport fishing equipment excise tax and the earmarking of the import duties on fishing tackle, yachts, and pleasure craft for the Dingell-Johnson program. The administration opposes, however, the earmarking for the Dingell-Johnson program of revenues from the excise taxes on gasoline and special motor fuels used in motorboats.

The present Dingell-Johnson program has been financed by the excise tax on fishing rods, creels, reels, and artificial lures, baits, and flies for over 30 years. Excise tax revenue used to fund the program has increased substantially over the years. In 1970, the tax generated only $14 million in revenue. In 1975, the tax generated $22 million in revenue. In 1980, the tax generated $34 million in revenue. In 1982, the tax generated $35 million in revenue and is estimated to generate $36 million in 1983. We have attached schedules that indicate the projected effect of the bill on the Dingell-Johnson program and the revenue effect of the bill.

While the administration supports an expansion of the Dingell-Johnson program through an increase in revenues to support the program, it does not believe that the program should be expanded to the extent proposed by H.R. 2163. The administration generally supports the expansion of the program by broadening the excise tax on sport fishing equipment and the earmarking for the program of the import duties on fishing tackle, yachts, and pleasure craft. The administration opposes, however, the earmarking for the program of revenues from the excise taxes on gasoline and special motor fuels used in motorboats.

The Treasury Department also wishes to point out that the tax provisions of the bill as currently drafted present a number of administrative difficulties and other problems.

Proposed section 4162 of the code, which defines the term "sport fishing equipment" that is the base of the expanded sport fishing equipment excise tax, includes the catchall phrase "other similar items designed for use in recreational fishing." Similarly, in the specific categories of "terminal tackle" and "fishing supplies and accessories," proposed section 4162 contains the terminology "including." This permits the taxation of all items of "sport fishing equipment" and all items that fall within the categories of "terminal tackle" and "fishing supplies and accessories" that the drafters may not have thought of or that may be developed subsequent to enactment. Such terminology places a burden on the Internal Revenue Service to be an expert on all present and future equipment used in recreational fishing. The IRS does not have the expertise or manpower to do this type of work. The tax should be limited, as it is under present law, to specifically named items.

The extensive list of items proposed to be taxed also would add considerably to the IRS' work in interpreting the law and auditing taxpayers because of the number of additional items to be taxed and the imposition of the tax on many new taxpayers. Some of the items proposed to be taxed are described in terms that would be extremely difficult to define. We cannot quantify the additional administrative burden with precision, but would like to note that the IRS already has an extremely heavy workload.

If Congress' intent is to limit the tax on fishing equipment to that designed for sport fishing, as under present law, the IRS would have great difficulty in drawing specifications to meet such a test with items that have dual purposes. For example, items such as tackle boxes, fishing lines, and fly-tying materials may be used for purposes other than fishing. It is not unusual that tackle boxes are used as sewing boxes, fishing lines in portable lawn trimmers, and fly-tying materials—such as thread, glue, and feathers—for many purposes other than fishing. Similarly, it is extremely difficult for a manufacturer to determine whether many items of equipment will be used for sport or commercial fishing.

The administration believes that, to the extent it is administratively feasible, the sport fishing equipment excise tax should be borne by all manufacturers of sport fishing equipment, rather than by manufacturers of select items. Nevertheless, in expanding the excise tax, the proposed coverage of the tax should be more limited than proposed by H.R. 2163. Since the revenues from the tax are to be used for sport fish restoration and management and recreational boating, the scope of the tax should be reasonably limited to items purchased for use in these areas.

Admittedly, the present law does not cover a large number of items so used, but it does have the advantage of not requiring the coverage of a lot of minor items included in the bill such as bobbers, sinkers, snaps, swivels, scalers, fly-tying materials, et cetera. Thus, in expanding the scope of the excise tax, we would like to work with the committee and its staff in preparing a more selective list of specific items to be subject to tax than is currently contained in H.R. 2163.

Treasury is opposed to the extensions of times for payments of sport fishing equipment excise tax provided in section 211(d) of the bill. The argument advanced for extending times for payments of the excise tax is that the seasonal retail sale pattern for sport fishing equipment leads manufacturers to grant lengthy credit terms to distributors, so that the latter will increase stock during the off-season and enable the manufacturers to produce at a more even pace. Under present Treasury regulations, the manufacturers thus must pay the excise tax before they receive payment from their distributors. However, the extended credit terms of the manufacturers also require the manufacturers to finance all other expenses—rent, wages, raw materials, et cetera—for some time before receiving payment from their distributors. H.R. 2163 could have the effect of delaying the payment of the excise tax more than that of other expenses of the manufacturers.

Moreover, different trades and businesses have different customary credit terms, which are designed to facilitate operations and maximize profits. Treasury sees no reason why the times for payments of excise taxes should be varied for different industries depending on the credit terms in each particular industry. If a special rule is fashioned for sport fishing equipment, other special rules may have to be given to every other industry that has unique business practices. Passage of this bill will lead to pressure from other industries seeking specialized relief.

In addition, it should be noted that H.R. 2163 does not affect the required due dates for filing the excise tax returns, which under current Treasury regulations are generally due on the last day of the first month after the end of each quarter. Presumably, Treasury would be forced to change the due dates for the excise tax returns with respect to sport fishing equipment to coincide with the extensions of times for payments provided by H.R. 2163. Otherwise, taxpayers would be required to file a return on one date and pay the excise tax at a later date without the return, which would present administrative difficulties. If the time for filing the excise tax return with respect to sport fishing equipment is extended, taxpayers that sell sport fishing equipment and other items subject to excise taxes would be required to file multiple returns each quarter—one for the sport fishing excise tax and one for all other excise taxes. This would create an additional administrative burden on taxpayers and the IRS.

I will now turn to H.R. 2809, the U.S. Fish and Wildlife Foundation Establishment Act.

This bill would establish the foundation as a federally chartered, private, charitable, nonprofit corporation to encourage and administer donations of real or personal property, or interests therein, in connection with U.S. Fish and Wildlife Service programs and other fish and wildlife conservation activities in the United States. While the Treasury Department has no objection to the tax provisions of H.R. 2809, subject to the comments discussed below, we understand that the Department of the Interior will be presenting the administration's position on the other aspects of the bill.

Section 5 of the bill provides that the foundation will be exempt from Federal, State, and local taxes, and contributions to it will be regarded as donations to the United States. In addition, section 5 provides that the conveyance of any qualified real property interest to the foundation will be deemed to further a governmental conservation policy and yield a significant public benefit for purposes of section 170(h) of the Internal Revenue Code.

Code section 170(h) allows a charitable deduction for the value of a qualified conservation contribution. A qualified conservation contribution is the contribution of certain partial interests in real property, including a remainder interest or an easement, to a qualified organization exclusively for conservation purposes. For this purpose, a conservation purpose would include: (a) the preservation of land for public education or public outdoor recreation; (b) the preservation of a relatively natural habitat of plant, animal, or fish wildlife species; (c) the preservation of certified historic structures and historically important land areas; and (d) the preservation of open space, including forest land or farmland, but only if (i) the preservation is for scenic enjoyment by the general public and will yield a significant public benefit, or (ii) the easement is pursuant to a clearly delineated Federal, State, or local governmental policy and will yield a significant public benefit.

By providing that all contributions of qualified real property interests to the foundation will be deemed to further a governmental conservation policy and to yield a significant public benefit, H.R. 2809 in its present form will have the effect of permitting a charitable deduction for any open-space easement contributed to the foundation. The Treasury Department opposes this provision of H.R. 2809 to the extent that it would permit deductions for contributions of open-space easements that would not satisfy the requirements of code section 170(h).

In enacting code section 170(h), Congress recognized both the importance of open-space easements for furthering conservation goals and the potential for abuse inherent in permitting a deduction for their value. Thus, gifts to preserve open space are deductible only if the preservation will provide a significant public benefit and is either pursuant to a clearly delineated governmental policy or is for the scenic enjoyment of the general public.

To permit gifts to the foundation to escape the tests applied to all similar gifts would undermine the safeguards Congress specifically provided for open-space easements in code section 170(h) and would provide preferential treatment to these gifts. We believe this preferential treatment is unwarranted. The requirements of section 170(h) should apply to gifts of open-space easements to the foundation in the same manner as they apply to gifts to other charitable organizations.

This committee should also note that, under H.R. 2809, the foundation would be exempt from all Federal, State, and local taxes, including the unrelated business income tax. This means that the foundation could engage in business activities in which taxable entities are also engaged, thus putting the taxable entities at a competitive disadvantage. Although we recognize that it may be unlikely that the foundation would enter into competition with taxable entities, we question whether the exemption from the unrelated business income tax should be provided in the bill.

This concludes my prepared remarks and I would be happy to answer your questions.

[The prepared statement follows:]

STATEMENT OF ROBERT G. WOODWARD, ACTING TAX LEGISLATIVE COUNSEL, DEPARTMENT OF THE TREASURY

Mr. Chairman and Members of the Committee: I am pleased to have the opportunity to present the views of the Treasury Department on the tax provisions of H.R. 2163, which would increase the excise tax revenues earmarked for the Dingell-Johnson Sport Fish Restoration and Management Program, and H.R. 2809, which would establish the United States Fish and Wildlife Foundation.

At the outset, I would like to emphasize that the following comments only address the tax provisions of the above two bills and do not address the expenditure or other provisions of these bills.

H.R. 2163—AMENDMENTS TO THE EXCISE TAX ON SPORT FISHING EQUIPMENT TO EXPAND THE DINGELL-JOHNSON SPORT FISH RESTORATION AND MANAGEMENT PROGRAM

Background

The Dingell-Johnson Act provides aid to the States for the restoration and management of all species of fish that have material value in connection with sport or recreation in U.S. waters. The program is administered by the Department of the Interior and financed by the earmarking of general revenues equal to those derived from the 10 percent manufacturers excise tax imposed under Internal Revenue Code section 4161(a). This tax is imposed on sales by manufacturers, producers, and importers of fishing rods, creels, reels, and artificial lures, baits, and flies (including parts or accessories of such articles sold on or in connection therewith, or with the sale thereof).

The Recreational Boating Safety and Facilities Improvement Act of 1980, as amended and extended through fiscal year 1988 by the Highway Revenue Act of 1982, established a National Recreational Boating Safety and Facilities Improvement Fund to provide aid to the States for recreational boating safety and facilities improvement. The program is administered by the Department of Transportation and is currently financed by up to $45 million per year of revenues from the excise taxes imposed under Code sections 4081 and 4041(a)(2) on gasoline and special motor fuels used in motorboats. The excess, if any, of such revenues over the $45 million annual and total fund limits of Code section 9503(c)(4) is currently deposited in the Land and Water Conservation Fund. The Land and Water Conservation Fund is expended primarily for land and water area acquisition costs, including the cost of acquiring national park lands, wilderness area lands, and national recreation areas.

Under current Treasury regulations, a manufacturer or retailer generally is required to file an excise tax return quarterly on or before the last day of the first month after the end of the quarter.[1] Although most Federal excise tax returns are filed on a quarterly basis, current Treasury regulations generally require monthly or semimonthly payment of the tax.[2] If a taxpayer is liable in any month (other than the last month of a calendar quarter) for more than $100 of excise tax and is not required to make semimonthly deposits, the taxpayer generally must deposit the amount on or before the last day of the next month at an authorized depository or at the Federal Reserve Bank serving the area in which the taxpayer is located. If a taxpayer has more than $2,000 in excise tax liability for any month of a preceding calendar quarter, such taxes generally must be deposited for the following quarter (regardless of amount) on a semimonthly basis. The taxes generally must be deposited by the ninth day following the semimonthly period for which they are deposited.

Description of H.R. 2163

Title I of H.R. 2163 would amend the expenditure guidelines of the National Recreational Boating Safety and Facilities Improvement Fund to eliminate expenditures for facilities improvement and would rename this fund the National Recreational Boating Safety Fund (the "Boating Safety Fund"). In addition, the bill would provide budget authority for two-thirds of the amount required to be transferred to the Boating Safety Fund to be used for State boating safety programs and one-third of the amount required to be transferred to the Boating Safety Fund to be available for expenditure out of the operating expenses account of the United States Coast Guard for services provided by the Coast Guard for recreational boating safety, including services provided by the Coast Guard Auxiliary. Any revenues from the excise tax on gasoline and special motor fuels used in motorboats in excess of the $45 million dollar annual and total fund limit on the Boating Safety Fund would be transferred to the general fund of the Treasury to be earmarked for the Dingell-Johnson program, rather than to the Land and Water Conservation Fund as presently provided.

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[1] Treas. Reg. §§ 48.6011(a)-1; 48.6071(a)-1.

[2] Treas. Reg. § 48.6302(c)-1.

Title II of H.R. 2163 would amend the expenditure guidelines of the Dingell-Johnson program and would make three changes that would greatly increase the revenue to be earmarked for the program. First, the bill would expand the types of items currently subject to the sport fishing equipment excise tax by levying a tax of 10 percent upon the sale by a manufacturer, producer, or importer of all "sport fishing equipment" and a tax of 3 percent on sales of electric trolling motors and fish finders (other than digital depth finders). The bill defines the term "sport fishing equipment" to include fishing reels, fabricated rods and poles (and component parts); organic, synthetic, and metallic lines; fishing spears and underwater spear guns; items of terminal tackle including leaders, artifical lures, artificial baits, artificial flies, preserved salmon eggs, fishooks, bobbers, sinkers, snaps, drayles, and swivels; fishing supplies and accessories including fish stringers, creels, tackle boxes, bags and baskets designed to hold fish, portable bait containers, fishing vests, landing nets, hoops, and gaff hooks; fishhook disgorgers, scalers, rodholders, line and fly dressing, fly tying materials, and preserved packaged bait; tip-ups, tilts, ice augers (both manual and power), ice spuds, ice skimmers, manufactured ice houses, and ice windshields; rod belts, fishing chairs, outriggers, downriggers and fishing harnesses; and other similar items designed for use in recreational fishing.

Second, the bill would earmark revenues from the import duties on fishing tackle, yachts and pleasure craft for the Dingell-Johnson program.

Third, the bill would earmark revenues from the excise taxes on gasoline and special motor fuels used in motorboats, to the extent such revenues exceed the $45 million annual and total fund limit on the Boating Safety Fund, for the Dingell-Johnson program, rather than transferring such funds to the Land and Water Conservation Fund as presently provided.

The bill also would extend the time for paying the excise tax on sport fishing equipment. Under the bill, payment of these excise taxes would be required on a quarterly basis as follows:

(a) in the case of articles sold during the quarter ending the previous December 31, on March 31;

(b) in the case of articles sold during the quarter ending the previous March 31, on June 30;

(c) in the case of articles sold during the quarter ending the previous June 30, on September 24; and

(d) in the case of articles sold during the quarter ending September 30, at such time as the Secretary may by regulations prescribe.

The bill would not amend the time prescribed under present law for filing excise tax returns or the time for payment of such taxes on articles other than sport fishing equipment.

The amendments made by H.R. 2163 to the excise tax on sport fishing equipment would be effective with respect to articles sold after December 31, 1983. The nontax amendments would be effective on October 1, 1983.

Discussion

Title I of the bill deals mainly with changing the expenditure of Boating Safety Fund monies. We understand that the Department of Transportation is currently preparing a report on this aspect of the bill, which will be submitted at a later date.

As previously discussed, Title II of the bill makes three tax changes to increase the revenue earmarked for the Dingell-Johnson program. The Administration generally supports the expansion of the sport fishing equipment excise tax and the earmarking of the import duties on fishing tackle, yachts, and pleasure craft for the Dingell-Johnson program. The Administration opposes, however, the earmarking for the Dingell-Johnson program of revenues from the excise taxes on gasoline and special motor fuels used in motorboats.

The present Dingell-Johnson program has been financed by the excise tax on fishing rods, creels, reels, and artificial lures, baits, and flies for over 30 years. Excise tax revenue used to fund the program has increased substantially over the years. In 1970, the tax generated only $14 million in revenue. In 1975, the tax generated $22 million in revenue. In 1980, the tax generated $34 million in revenue. In 1982, the tax generated $35 million in revenue and is estimated to generate $36 million in 1983. We have attached schedules that indicate the projected effect of the bill on the Dingell-Johnson program and the revenue effect of the bill.

While the Administration supports an expansion of the Dingell-Johnson program through an increase in revenues to support the program, it does not believe that the program should be expanded to the extent proposed by H.R. 2163. The Administration generally supports the expansion of the program by broadening the excise tax on sport fishing equipment and the earmarking for the program of the import duties on fishing tackle, yachts, and pleasure craft. The Administration opposes, however, the earmarking for the program of revenues from the excise taxes on gasoline and special motor fuels used in motorboats.

The Treasury Department also wishes to point out that the tax provisions of the bill as currently drafted present a number of administrative difficulties and other problems.

Proposed section 4162 of the Code, which defines the term "sport fishing equipment" that is the base of the expanded sport fishing equipment excise tax, includes the catch-all phrase "other similar items designed for use in recreational fishing." Similarly, in the specific categories of "terminal tackle" and "fishing supplies," proposed section 4162 contains the terminology "including." This permits the taxation of all items of "sport fishing equipment" and all items that fall within the categories of "terminal tackle" and "fishing supplies and accessories" that the drafters may not have thought of or that may be developed subsequent to enactment. But such terminology places a burden on the Internal Revenue Service to be an expert on all present and future equipment used in recreational fishing. The IRS does not have the expertise or manpower to do this type of work. The tax should be limited, as it is under present law, to specifically named items.

The extensive list of items proposed to be taxed would add considerably to the IRS' work in interpreting the law and auditing taxpayers because of the number of additional items to be defined and the imposition of the tax on many new taxpayers. Some of the items proposed to be taxed are described in terms that would be extremely difficult to define. We cannot quantify the additional administrative burden with precision, but would like to note that the IRS already has an extremely heavy workload.

If Congress' intent is to limit the tax on fishing equipment to that designed for sport fishing, as under present law, the IRS would have great difficulty in drawing specifications to meet such a test with items that have dual purposes. For example, items such as tackle boxes, fishing lines, and fly tying materials may be used for purposes other than fishing. It is not unusual that tackle boxes are used as sewing boxes, fishing lines in portable lawn trimmers, and fly tying materials (such as thread, glue and feathers) for many purposes other than fishing. Similarly, it is extremely difficult for a manufacturer to determine whether many items of equipment will be used for sport or commercial fishing.

The Administration believes that to the extent it is administratively feasible, the sport fishing equipment excise tax should be borne by all manufacturers of sport fishing equipment, rather than by manufacturers of select items. Nevertheless, in expanding the excise tax, the proposed coverage of the tax should be more limited than proposed by H.R. 2163. Since the revenues from the tax are to be used for sport fish restoration and management and recreational boating, the scope of the tax should be reasonably limited to items purchased for use in these areas. Admittedly, the present law does not cover a large number of items so used, but it does have the advantage of not requiring the coverage of a lot of minor items included in the bill such as bobbers, sinkers, snaps, swivels, scalers, fly tying materials, etc. Thus, in expanding the scope of the excise tax, we would like to work with the Committee in preparing a more selective list of specific items to be subject to tax than is currently contained in H.R. 2163.

Treasury is opposed to the extensions of times for payments of sport fishing equipment excise tax provided in section 211(b) of the bill. The argument advanced for extending times for payments of the excise tax is that the seasonal retail sale pattern for sport fishing equipment leads manufacturers to grant lengthy credit terms to distributors, so that the latter will increase stock during the off-season and enable the manufacturers to produce at a more even pace. Under present regulations, the manufacturers thus must pay the excise tax before they receive payment from their distributors. However, the extended credit terms of the manufacturers also require the manufacturers to finance all other expenses (rent, wages, raw materials, etc.) for some time before receiving payment from their distributors. H.R. 2163 could have the effect of delaying the payment of the excise tax more than that of other expenses of the manufacturers.

Moreover, different trades and businesses have different customary credit terms, which are designed to facilitate operations and maximize profits. Treasury sees no reason why the times for payments of excise taxes should be varied for different industries depending on the credit terms in each particular industry. If a special rule is fashioned for sport fishing equipment, other special rules may have to be given to every other industry that has unique business practices. Passage of this bill will lead to pressure from other industries seeking specialized relief.

In addition, it should be noted that H.R. 2163 does not affect the required due dates for filing the excise tax returns, which under current Treasury regulations are generally due on the last day of the first month after the end of each quarter. Presumably, Treasury would be forced to change the due dates for the excise tax return with respect to sport fishing equipment to coincide with the extensions of times for payments provided by H.R. 2163. Otherwise, taxpayers would be required to file a return on one date and pay the excise tax at a later date without the return, which would present administrative difficulties. If the times for filing the excise tax returns with respect to sport fishing equipment is extended, taxpayers that sell sport fishing equipment and other items subject to excise taxes would be required to file multiple returns each quarter—one for the sport fishing excise tax and one for all other excise taxes. This would create an additional administrative burden on taxpayers and the IRS.

H.R. 2809—THE UNITED STATES FISH AND WILDLIFE FOUNDATION ESTABLISHMENT ACT

H.R. 2809 would establish the United States Fish and Wildlife Foundation as a Federally chartered private charitable nonprofit corporation to encourage and administer donations of real or personal property, or interests therein, in connection with U.S. Fish and Wildlife Service programs and other fish and wildlife conservation activities in the United States. While the Treasury Department has no objection to the tax provisions of H.R. 2809, subject to the comments discussed below, we understand that the Department of Interior will be presenting the Administration's position on the other aspects of the bill at a later date.

Section 5 of the bill provides that the Foundation will be exempt from Federal, State, and local taxes, and contributions to it will be regarded as donations to the United States. In addition, section 5 provides that the conveyance of any qualified real property interest to the Foundation will be deemed to further a governmental conservation policy and yield a significant public benefit for purposes of section 170(h) of the Internal Revenue Code.

Code section 170(h) allows a charitable deduction for the value of a qualified conservation contribution. A qualified conservation contribution is the contribution of certain partial interests in real property, including a remainder interest or an easement, to a qualified organization exclusively for conservation purposes. For this purpose, a "conservation purpose" would include: (a) the preservation of land for public education or public outdoor recreation; (b) the preservation of a relatively natural habitat of plant, animal or fish wildlife species; (c) the preservation of certified historic structures and historically important land areas; and (d) the preservation of open space including forest land or farm land, but only if (i) the preservation is for scenic enjoyment by the general public and will yield a significant public benefit, or (ii) the easement is pursuant to a clearly delineated Federal, State or local governmental policy and will yield a significant public benefit.

By providing that all contributions of qualified real property interests to the Foundation will be deemed to further a governmental conservation policy and yield a significant public benefit, the enactment of H.R. 2809 in its present form will have the effect of permitting a charitable deduction for any open-space easement contributed to the Foundation. The Treasury Department opposes this provision of H.R. 2809 to the extent that it would permit deductions for contributions of open-space easements that would not satisfy the requirements of Code section 170(h).

In enacting Code section 170(h), Congress recognized both the importance of open-space easements for furthering conservation goals and the potential for abuse inherent in permitting a deduction for their value. Thus, gifts to preserve open space are deductible only if the preservation will provide a significant public benefit and is either pursuant to a clearly delineated governmental policy or is for the scenic enjoyment of the general public. The proposed regulations recently issued under section 170(h) go into extensive detail in listing and describing the numerous factors which should be considered in determining whether these tests are met. These are the same factors that the legislative history of Code section 170(h) indicates Congress intended to be considered in making this determination.

To permit gifts to the Foundation to escape the tests applied to all similar gifts would undermine the safeguards Congress specifically provided for open-space easements in Code section 170(h) and would provide preferential treatment to these gifts. We believe this preferential treatment is unwarranted. The requirements of section 170(h) should apply to gifts of open-space easements to the Foundation in the same manner as they apply to gifts to other charitable organizations.

This Committee should also note that under H.R. 2809, the Foundation would be exempt from all Federal, State, and local taxes, including the unrelated business income tax. This means that the Foundation could engage in business activities in which taxable entities are also engaged, thus putting the taxable entities at a competitive disadvantage. Although we recognize that it may be unlikely that the Foundation would enter into competition with taxable entities, we question whether the exemption from the unrelated business income tax should be provided in the bill.

This concludes my prepared remarks. I would be happy to answer your questions.

EFFECT ON DINGELL-JOHNSON PROGRAM OF EXPANSION OF FISHING EXCISES AND DIVERSION OF MOTORBOAT FUEL TAXES NOW GOING TO THE LAND AND WATER CONSERVATION FUND

[In millions of dollars]

	Fiscal year—				
	1984	1985	1986	1987	1988
Expansion of fishing excise	9	13	13	14	14
Diversion of motorboat fuel money now going to Land and Water Conservation Fund	52	52	52	52	53
Total	61	65	65	66	67

Source: Office of the Secretary of the Treasury, Office of Tax Analysis, June 1, 1983.

Note: Transfer of duties now collected on fishing equipment would increase receipts (full year) to Dingell-Johnson by an additional $20 million per year.

REVENUE EFFECT—H.R. 2163, EXPANSION OF FISHING EXCISES

[In millions of dollars]

	Fiscal year—				
	1984	1985	1986	1987	1988
Excise	9	13	13	14	14
Net revenue	6	10	10	11	11

Source: Office of the Secretary of the Treasury, Office of Tax Analysis, June 1, 1983.

Note: For calendar year 1984 the expansion of the current 10 percent tax to certain recreational fishing accessories would increase excise receipts by $9 million; the proposed 3 percent tax on trolling motors would raise $2 million; the 3 percent tax on fish finders (except digital) would raise $1 million in excise taxes.

Chairman **Rostenkowski**. Thank you, Mr. Woodward. We will take testimony from Mr. Arnett and then proceed with questions.

STATEMENT OF G. RAY ARNETT, ASSISTANT SECRETARY FOR FISH AND WILDLIFE AND PARKS, DEPARTMENT OF THE INTERIOR

Mr. **Arnett**. Thank you, Mr. Chairman, and members of the committee. I appreciate the opportunity of appearing before you and discussing title II of H.R. 2163 which is the Dingell-Johnson expansion bill as reported by the Merchant Marine and Fisheries Committee, and also H.R. 2809, the U.S. Fish and Wildlife Foundation bill.

I would like to submit my full statement for the record and summarize those remarks if that will please the committee.

Chairman **Rostenkowski**. Without objection.

Mr. **Arnett**. H.R. 2163, the D–J expansion fund would provide additional funding for the sport fish restoration program. Under this program funds derived from a 10-percent excise tax on certain tackle items are apportioned to the State fish and game agencies. These funds are used for sport fish restoration and management projects and pay for the Federal Government's share of 75 percent of project costs. The remaining 25 percent of project costs is borne by State funds.

Although the act has been amended several times to change administrative provisions, the basic tax and the method of apportionment have remained the same since its enactment in 1950. The bill that this committee is considering will go a long way toward answering the need for additional funds. This need is a result of many factors: today's fishermen are growing in numbers; fishing and boating enthusiasts have increased their skills and mobility; and the fishermen in some areas are losing fish habitat to development.

Mr. Chairman, as stated by Mr. Woodward, this bill would provide the needed funds through three outlets. First, expansion of the current tax to virtually all items of terminal fishing tackle by the addition of a 3-percent tax on trolling motors and fish finders speaks for itself. Those who benefit from and place pressure upon the resource should bear the restoration cost.

Second, transferring the import duties on fishing tackles, pleasure crafts and yachts to the current fund would provide a small measure of Federal support to an otherwise user and State-supported program without imposing a new tax. We fully support these provisions.

Finally, this bill would add all motorboat fuel tax receipts in excess of the amount appropriated for the boating safety fund. There are both positive and negative aspects of this latter provision. The total of these three funding sources is estimated to be approximately $60 million to $67 million annually. When added to the current receipts of about $35 million the combined annual total would approximate $94 million to $101 million.

Although the States have shown a significant need for additional funds, we are concerned that we may not be able to obligate this threefold increase in the funds, so while the motorboat fuel tax receipts would provide boaters with tangible benefits from the taxes they pay on motorboat fuel, the administration must move cautiously to minimize deficits that may adversely affect the economic recovery now underway.

Therefore, we would like to consider more closely the possibility of phasing in this or other potential sources of funding of the D-J program. So in summary, Mr. Chairman, our support of the Dingell-Johnson Expansion Act is based on the fact that in large part those taxed are the recipients of the benefits.

With regard to H.R. 2809, the U.S. Fish and Wildlife Foundation, we certainly support the goals of finding creative non-Federal solutions to help solve pressing natural resource problems. Federal and State Governments cannot and should not provide for the conservation of fish and wildlife resources alone. However, in pursuing this goal we must be assured that the mechanism for encouraging private initiative will be effective and for this reason we are still in the process of taking a close look at H.R. 2809 and we will look forward to making those comments available to you hopefully within a week or no longer than 10 days.

My staff and other members in the Department of Interior are working diligently with a complete answer for this bill for you.

I will be pleased to answer any questions, Mr. Chairman, if the committee may wish.

[The prepared statement follows:]

STATEMENT OF G. RAY ARNETT, ASSISTANT SECRETARY FOR FISH AND WILDLIFE AND PARKS, U.S. DEPARTMENT OF THE INTERIOR

Mr. Chairman, I appreciate the opportunity to appear before this Committee to discuss Title II of H.R. 2163, as reported by the Merchant Marine and Fisheries Committee. This bill would provide additional funds for State sport fish restoration projects under the Dingell-Johnson, or D–J, Act. This Administration supported D–J expansion bills during their consideration in the 97th Congress and wholeheartedly supports this legislation's goal of bolstering the sport fish restoration program primarily because, in large part, those taxed are the recipients of the benefits. I am particularly pleased to be able to testify because during my seven years as Director of the California Fish and Game Department, I was in a position to evaluate the substantial accomplishments of the D–J program that combines effectively the talents of State and Federal fishery agencies.

Fishing is among the most popular of all the outdoor recreational sports engaged in by Americans today. It provides wholesome outdoor recreation whether the angler is fishing in local waters with doughballs or chicken livers for tonights dinner or is a more sophisticated fisherman who is seeking isolated areas and trophy species. Fishing can provide something for all of us in the form of recreation, entertainment, and food. During the past 15 years, the number of anglers has been increasing at a rate of nearly 1 million per year and totals approximately 54 million today, almost 1 in 4 Americans. In 1980 these people fished more than 1.1 billion man-days and spent approximately $17.3 billion in pursuit of their sport.

As interest in the sport has grown, the task of providing quality fishing experiences to the expanding multitude of anglers has become more difficult. This responsibility, which is shouldered primarily by State fish and wildlife agencies, is complicated by the fact that today's fishermen are growing not only in numbers, but also in skill and mobility, thus creating a greater demand on the resource. In addition, fish habitat, like many other types of natural areas, is succumbing more and more rapidly to development and overuse pressures.

The Dingell-Johnson Act was passed by Congress in 1950 to assist the States in counterbalancing these pressures by actively managing fishery resources throughout the country. The program was initiated in the post-World war II era (1952) when it became apparent to States that management techniques more effective than the traditional stocking and enforcement efforts would be needed to provide both quality and quantity angling to the public. However, the States were seriously hampered in their efforts to provide better fishing because of a serious deficiency in funds. The meager $20–$30 million in annual license revenues simply wasn't sufficient to do the job. Help was needed. The passage of the Federal Aid in Sport Fish Restoration Act in 1950 and the apportionment of funds in fiscal year 1952 provided the help. Since its passage, D–J has provided a sound base for many of the States' fishery programs. Although this legislation has been amended several times since its inception to change administrative provisions, the basic tax and the method of apportionment have remained the same.

The D–J Act provides that a 10 percent manufacturer's excise tax be placed on fishing rods, reels, creels, and artificial lures, baits and flies, and that these funds be made available to the States and territories for sport fish restoration and management projects. The tax, paid by the manufacturer or importer and collected by the Treasury Department, is permanently appropriated to the U.S. Fish and Wildlife Service for apportionment. Each State's share is based 60 percent on the number of licensed sport fishermen and 40 percent on the land and water areas of the State. No State may receive more than 5 percent or less than 1 percent of the total. Puerto Rico receives 1 percent, the Virgin Islands, Guam, American Samoa and the Northern Marianas each receive one-third of 1 percent.

The cost of each D–J project is borne 75 percent by Federal funds and 25 percent by State funds. Most State matching money is derived from sport fishing license revenues. Thus, anglers pay the bill for fish management through the taxes they pay on fishing tackle and the fishing license they buy. In general, then, the program is supported by the beneficiaries. For D–J projects the States plan and perform the work, while the Service insures adherence to the law, provides technical assistance, sets standards for performance and monitors progress. Since the inception of the program, over $400 million in D-J funds have been apportioned to the States.

The types of projects undertaken by the States with this money have been numerous and varied. A major effort has been made to create new places to fish. To date the State fish and wildlife agencies have constructed or restored 348 public fishing lakes encompassing 43,250 surface acres with a total investment of $34.2 million. Together, these lakes provide over 3 million days of angling annually. Providing more fishing does not always need to be accomplished through the acquisition or creation of new areas. Over 911,449 acres of existing lakes and 2,597 miles of streams have been made available to fishermen through improved public access. A total of 3,100 access sites encompassing nearly 33,535 acres have been acquired or developed with a total investment of $20 million. Providing access may be as simple as acquiring a small strip of land adjacent to a river or lake that can be used for parking, or as major as constructing new boat launching ramps and fishing piers. These facilities benefit not only anglers but also other recreationists such as canoeists, wildlife observers and pleasure boaters.

In addition to creating new fishing areas and improving access to existing areas, D-J has enabled the States to improve their management techniques through research. Millions of acres of fish habitat are protected each year through management activities designed to modify, prevent or mitigate the impacts of development, stream alterations and other practices that can be so destructive to aquatic areas. Construction of current deflectors, check-dams and overhangs has been helpful in improving trout streams that are naturally deficient in pools, riffles or covers.

Marine fishery projects have historically received approximately 11 percent of annual D-J apportionments. These projects include basic research, information and data surveys, and providing access.

To summarize, the Dingell-Johnson program has been extremely successful in improving the management of this nation's fishery resource, thereby creating opportunities for increasing numbers of Americans to partake of this resource. Current demand on the resource, however, far outruns the ability of State fishery agencies to meet the demands. For instance, a 1982 survey by the American Fisheries Society showed that, while the States spent over $286 million on fisheries in the most recent complete fiscal year, there was a need for an additional $134 million. The same survey determined that, of the additional financial needs of State recreational fishery programs, approximately 82 percent of new funds would be committed to construction, management and land acquisition activities.

H.R. 2163 would provide a major portion of the needed funds from three sources. First, the current 10 percent manufacturer's excise tax on rods, reels, creels and artificial lures, baits, and flies would be extended to virtually all items of sport fishing equipment. Included would be fishing lines, fishing spears, underwater spear guns, items of terminal tackle, and other similar gear used for sport fishing. In addition to generating an additional estimated $8-11 million for the D-J program, this would rectify the inequity in the current Act where only a few items of sport fishing equipment are taxed. Included in these figures would be a new 3 percent tax on electric trolling motors and fish finders. These items are used almost exclusively for sport fishing and have greatly increased the fishing impact on fish populations. This particular provision would provide a method for users to alleviate some of that impact and we support its enactment.

Second, H.R. 2163 would provide additional D-J funds by including the current import duties on fishing tackle, yachts, and pleasure craft. This is estimated to generate $12-16 million annually without imposing a new tax. We fully support the inclusion of these revenues to the D-J fund.

Third, this bill would add to the D-J fund all motorboat fuels tax receipts in excess of the amount appropriated for the Boating Safety Fund. This is estimated to result in an additional $40 million annually. There are both positive and negative aspects to this provision. The total of these three funding sources is estimated to be approximately $60-67 million annually. When added to the current receipts of $34.9, the combined annual total would be approximately $94-101.1 million. Although the States have shown a significant need for additional funds, we are concerned that they may not be able to obligate this threefold increase in funds. While the provision would provide boaters with tangible benefits from the taxes they pay on motorboat fuels, the Administration must move cautiously to minimize deficits that may adversely affect the economic recovery now underway. We would like to consider more closely the possibility of phasing-in this or other potential sources of funding for the D-J program.

H.R. 2163 would make other changes in the D-J program as well. The bill authorizes the Secretary to fund up to 75 percent of the initial costs of land acquisition or facility construction projects, and to approve projects using future apportionments subject to the availability of funds. The present D-J Act has been interpreted so as not to allow installment purchases over multi-year periods using funds yet to be apportioned. For example, the amendment would make it clear that a State could enter into a long-term agreement for the purchase of an extensive land tract rather than be forced to acquire it piecemeal year by year and hope that ultimately the entire area could be obtained. Of course, commitments under this provision would still be contingent on the availability of funds. We support this provision.

The bill would also require coastal States to allocate the new funds derived from this bill proportionally between freshwater and marine projects. According to the 1980 National Survey of Fishing and Hunting, 12.3 million people fished in saltwater in that year. This represents 29 percent of all fishermen. These people spent approximately $509 million on retail purchases of equipment, thereby making a substantial contribution to the D-J fund through the excise tax calculated on manufactured value of this equipment. The Administration does not oppose the allocation of D-J funds in this manner. However, we prefer that coastal state agencies be allowed full discretion in application of their D-J funds. This would give the professional sport fishery managers who are most knowledgeable the ability to direct the funds where they are most needed.

H.R. 2163 would allow a State to use up to 10 percent of its apportionment to pay up to 75 percent of the cost of an aquatic resource education program. We support the discretionary authority.

Another change in the current program specified by this bill is that a State would be required to allocate 10 percent of its annual apportionment to boating facilities. The money not so obligated after 2 years would revert to the Department for use in sport fishery research. We have the capability to implement this requirement and support its inclusion in H.R. 2163.

Under the bill, the amount allotted to the Service for administrative expenses would be reduced from 8 percent to 6 percent. It is our program policy to use administrative funds conservatively and the Service has been very careful to keep these costs down. While 8 percent is currently allowable, the 30-year average has been 6.4 percent, exceeding 7 percent only 9 times during the period. The additional funds provided by this bill could be apportioned without a substantial increase in administrative costs.

Finally, the bill would delay the time for payment of the excise tax to the succeeding quarter following sale of the taxable item, and in the case of items sold during the quarter ending September 30, at such time as the Secretary shall prescribe. We defer to the Treasury Department on this issue.

In summary, Mr. Chairman, we support H.R. 2163. We believe that enactment of such legislation will help to assure the continued success of the D-J program in providing recreational fishing opportunities for millions for Americans each year.

UNITED STATES FISH AND WILDLIFE FOUNDATION

Let me turn briefly to H.R. 2809, the United States Fish and Wildlife Foundation Establishment Act. H.R. 2809, as reported by the Merchant Marine and Fisheries Committee, would establish the Foundation as a federally-chartered, non-profit organization to accept donations and make acquisitions in support of the Fish and Wildlife Service and of fish and wildlife conservation in the United States.

The importance of private initiative in solving pressing natural resource problems has never been greater than today. Federal and State governments cannot provide for the conservation of fish and wildlife resources alone. This is a situation that has been made very clear recently in our examination of Federal and State wetlands protection programs. This Administration is very interested in finding and encouraging creative non-Federal methods to help solve these problems. For example, the Secretary established the Protect our Wetlands and Duck Resources Task Force last year to, among other things, encourage private sector conservation of wetlands.

We believe private initiative can be tremendously successful. In 1980, the year of our most recent national survey, 99.8 million adults in this country, or 59 percent of all Americans, enjoyed fish or wildlife-oriented recreation. This great number of interested citizens should be encouraged to participate in fish and wildlife conservation.

However, in pursuing this goal, we must be assured that the mechanisms for encouraging private initiative will be effective ones. For this reason, we are in the process of taking a very close look at H.R. 2809. The bill contains a number of complex provisions and we therefore request that the Committee delay action on it until we have had time to complete our evaluation. We will forward our comments to you, Mr. Chairman, as soon as possible.

This concludes my prepared statement, Mr. Chairman. I would be pleased to answer any questions you or other Committee members might have.

Mr. **Rangel** [presiding]. The administration has not asked for appropriations for 1984 for the existing land and water conservation fund and that fund continues to grow. The U.S. budget appendix for fiscal year 1984 estimates the unappropriated balance at the end of 1984 will exceed $3 billion. If you do not plan to request an appropriation of land and water conservation revenues, why would you oppose the transfer of this small amount so that recreational boaters can receive some benefit from these fuel excise tax revenues?

Mr. **Woodward**. I don't think that it is a desire to deny the benefits to those who might enjoy sport fishing, but the fact of the matter is that channeling additional motorboat fuels excise tax revenues, approximately $52 million a year, into the Dingell-Johnson program would force appropriation of that money, which also would increase the Federal deficit. Since such excise tax revenue is now being added to a fund which is not being currently expended, it is thereby helping to hold down our burgeoning budget deficits.

Mr. **Rangel**. All right.

Mr. **Woodward**. As the Interior Department points out, it is difficult to see how the States would really use that additional $52 million a year at the present time under their current programs.

Mr. **Rangel**. Is there any intention to increase the appropriations from the land and water conservation fund?

Mr. **Arnett**. No, sir, not at this time.

Mr. **Rangel**. The committee will stand in recess until the expiration of this vote and then there will be other members that probably will have questions to ask so if you could stay around for 10 minutes it will be appreciated.

[Recess.]

Chairman **Rostenkowski** [presiding]. The committee will be in order.

Mr. Guarini will inquire.

Mr. **Guarini**. Thank you, Mr. Chairman.

I would like to ask Mr. Woodward, we have a National Park Foundation—I would like to ask whether or not there have been any problems with how the National Park Foundation has been administered from a tax viewpoint, how it has fared as a foundation?

Mr. **Woodward**. Mr. Guarini, I am not aware of any particular problems. However, I am not intimately familiar with the operation of that organization or whether it has encountered the Internal Revenue Service in any of its operations.

Mr. **Guarini**. With the public foundations are you aware of any problems we have had in administering them and whether or not they have achieved their objectives as far as the tax code is concerned?

Mr. **Woodward**. Generally, I am not aware of any problems. Nor would we necessarily really contemplate problems with the foundation to be created in the bill before you. We were simply pointing out that there are certain rules that we believe should not be waived for this foundation.

The foundation, I am sure, will be able to operate quite comfortably within the strictures that apply to other private organizations, charitable organizations.

Mr. **Guarini**. Are you saying that you think the public foundations should be bound by the same tax rules as private foundations or should they be treated differently?

Mr. **Woodward**. We acknowledge there can be a special Federal interest in the creation of this foundation, for example, and therefore do not object to the existence of a tax provision in this bill. For example, we do not object to that portion of the tax provision in this bill that exempts this foundation from all State and local taxes. The aspects of the tax provision in this bill that we do object to are the special provision which waives the protective rules designed to prevent abuses in contributions of open space easements and the exemption from all Federal taxes. My understanding is that the bill that created the National Park Foundation does not waive the protective rules for open space easements either.

Mr. **Guarini**. What we are doing then is creating a very special circumstance by giving this particular foundation provisions that don't exist in the code today with other public foundations?

Mr. **Woodward**. That would be the effect of this bill, particularly in certain aspects of it.

Mr. **Guarini**. In your opinion is there anything unique or unusual about this foundation that would require special exemptions to be made?

Mr. **Woodward**. No, sir.

Mr. **Guarini**. Thank you.

Mr. **Woodward**. Removing the tax provisions from the bill that we find objectionable would really leave this foundation with an exemption from State and local taxes which is not something that is of concern to us.

Mr. **Guarini**. Is it necessary to create a new organization to receive and administer gifts of wildlife?

Mr. **Woodward**. I would defer to the Interior Department on that. They may have a view on that.

Mr. **Guarini**. Mr. Arnett.

Mr. **Arnett**. Mr. Guarini, we believe that perhaps this can be done without having to establish a special foundation. We are looking into that as we develop our basic position on the bill. But in essence with this legislation Congress would be recognizing that there is a need for private sector assistance. I think that is a positive statement for the formation of this foundation.

Mr. **Guarini**. The question is whether or not a new vehicle, a new administrative agency, another foundation, should be set up to administer it. It means more salaries, more bifurcation. Is there anything that really is compelling that you have to have a new organization as far as the Interior Department is concerned?

Mr. **Arnett**. Sir, I don't know that the compelling aspects are there. I guess nothing is that compelling. We feel that in general this is a good approach to show that private sector initiatives can help us to resolve some of the problems we have in the acquisition of wetlands and other wildlife resources.

Mr. **Guarini**. Speaking for the Interior Department, what has the National Park Foundation actually done for Park Service?

Mr. **Arnett**. Over the years it has provided substantial support for the Park Service programs, anywhere from land acquisition to environmental education programs. I believe the National Park Foundation has raised something in the neighborhood of $20 million that has been used in interpretive work within the Park Service. Volunteers have also been used. We have gotten along very well and had no problems or conflicts and have found the National Park Foundation a benefit to the National Park Service.

Mr. **Guarini**. Could this have been done without having that foundation?

Mr. **Arnett**. Yes, sir, many things can be done without the private sector, but I am not sure it is the best way.

Mr. **Guarini**. Thank you.

Chairman **Rostenkowski**. If there are no further questions, thank you, gentlemen.

The Chair welcomes to the committee, our colleagues, both of whom have certainly served with distinction, Congressman John Breaux and Congressman Ed Forsythe. The committee is ready to receive your testimony.

STATEMENT OF HON. JOHN B. BREAUX, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF LOUISIANA, AND CHAIRMAN, SUBCOMMITTEE ON FISHERIES AND WILDLIFE CONSERVATION AND THE ENVIRONMENT, COMMITTEE ON MERCHANT MARINE AND FISHERIES

Mr. **Breaux**. Thank you, Mr. Chairman.

I would ask unanimous consent that my statement be made a part of the record.

Chairman **Rostenkowski**. Without objection, so ordered.

Mr. **Breaux**. There is one thing I would like to clarify for the members of the Treasury Department and the members of the Ways and Means Committee. The Merchant Marine and Fisheries Committee is not the tax writing expert nor do we pretend to be the tax writing experts in the Congress. That is not our job. But I think what we do bring before the Ways and Means Committee today represents a unique compromise among various interests in the United States. We have worked with them in our capacity as the committee with authorizing authority over fishery programs and we have worked with these interest groups for many years.

I say many years and I mean that literally, trying to come up with a methodology to address what is a very serious crying need in this country.

If you look at the statistics—and we have spent a lot of time doing that—there are over 54 million people in this country that call themselves sport fishermen and they are very enthusiastic about that sport. We have also found that there are serious needs in this country for an improvement in sport fishing programs.

We have had the various States come before our committee and say there are simply not enough funds to try to address the numerous problems that exist throughout the United States with regard to fishing programs. What we have before you today, Mr. Chairman and members of the committee, is a compromise bill that we are offering you as a suggestion for a starting point with regard to trying to raise more money. I can tell you and the members of the committee that what we have today represents a basic agreement among the various interest groups, among the manufacturers of sport fishing equipment, and fishermen who have said they are willing to be taxed and that they need additional funds. They feel this encompasses the basic structure of what we think is a fair and reasonable proposal.

Now I would say to you, Mr. Chairman, and the members of the committee, that currently the States get about $35 million a year out of the so-called Sport Fish Restoration Act. There is a need for substantially more than that.

Mr. Arnett said there may be some concern about the States being able to come up with their matching amount if we increase the funds. It is not a problem. Sixty-three of the sixty-four agencies that we surveyed—some States have more than one agency which would benefit from this, have indicated they can come up with a matching fund. Matching the Federal funds is not a problem. Only one State said if you increase the money Congressman, we will not be able to come up with the match.

That is the State of New Hampshire. But sixty-three of the sixty-four agencies said they can match whatever we can contribute to them in this area. We are not talking about balancing the budget here, nor are we talking about the budget at all. What we are doing here is attempting to come up with a program to assure that the people paying the user tax in this country get it back in the manner in which we sold it to them in the first place.

Let me give you an example of what has been happening in the past. We have two user taxes that fishing people in this country pay. They are getting cheated out of both of them the way it has been implemented. There is a tax on fishing equipment which covers most but not all items. Thank goodness that money has been used to improve sport fishing and goes to the States to improve fishing habitat, construct launching ramps, and improve lakes and streams.

The tax on motor boat fuels is a second big item that the fishermen are paying. They are not getting this tax back, and if we want to sell user fees, a concept I strongly support, we have to get about the business of seeing that the people who are paying the tax for a particular use get it back.

If the user does not derive some benefit from a user fee, then I would submit to this committee that you will not find support for user fees anywhere in this country. When the administration proposes user fees for inland waters and airports and all the programs that we are trying to establish user fees for, you will not find the support out there for the tax.

Every fisherman that has an outboard motor or inboard pays 9 cents a gallon tax. That tax goes to the boating fund. That tax rate now is generating approximately $85 million annually. What they are getting back as a result of that tax is about $5 million.

How do we tell the public, look, we want you to pay this tax for gasoline and it adds up to $85 million but we will only dribble back about $5 million. I don't think that is fair. As the boating public and fishermen realize what is happening to their money, I don't think they will support those kinds of taxes.

So what we have done in this bill, Mr. Chairman, and members of the committee, is say, all right, let's take that boating fuels tax on gasoline, 9 cents a gallon, generating $85 million a year and which is not being spent, and we say let's divide up that money and put $30 million of that in the State boat safety programs, $15 million to Coast Guard for safety programs, up to a maximum level of $45 million. Anything left after that $45 million—and there will be some left—will go to the Dingell-Johnson program to be divided up among the States.

The D-J program would have the existing tax on fishing items as well as any amount over $45 million coming from the boat tax on gasoline. That we estimate would generate a substantial increase of over $100 million.

With regard to the Dingell-Johnson tax on fishing items, we have added other items that will be taxed. The Treasury has said where do you stop? I realize it is difficult to come up with a definitive all-encompassing list of items used for fishing and we need to work on that.

Another problem that I would submit we are strictly punting to this committee because we don't have the knowledge and expertise, is a question of when the manufacturer is taxed, when it is levied. There are indications that many items are manufactured overseas for a much cheaper price, brought into this country and sold to a subsidiary of the manufacturer for a very low price, thereby avoiding the manufacturer's excise tax.

That is something that I submit this committee has the expertise to look at and make recommendations.

The second area this committee has expertise in is the issue of a 3-month delay in the consignment, the delay from the time the manufacturer produces it until it is taxed. The manufacturer does not get paid of course until it is sold in the store. We think a 90-day period is appropriate but this is more under the realm of your particular committee's expertise.

I think, Mr. Chairman, as far as this legislation is concerned, that summarizes the situation.

There is clearly a need, and right now people who are paying the bulk fuel tax are not getting it back. We have tried to take these user taxes and combine them to meet the need. We have done that with this legislation.

The second bill, Mr. Chairman, and I will close with this, is a simple bill, H.R. 2809. We have had people come to the committee and say we want to give money to the U.S. Government to use for fish and wildlife conservation. You cannot imagine how difficult it is for some citizens who, out of the kindness of their heart and their love of conservation, want to give money to the Federal Government. Unfortunately, you cannot do it. We had to authorize legislation to create a wildlife conservation fund so that the U.S. Government could receive the generous contributions of Mr. and Mrs. Gianoutsos who testified before our committee.

Mr. Guarini mentioned the Park Foundation. We tried patterning it after that foundation to accept private donations. But there is none for fish and wildlife conservation. They want to use their money and set up a foundation to help the Federal Government, give money to the Government to try and develop conservation programs and fish and wildlife habitat areas.

We took three exact provisions from the Park Foundation legislation and the fourth is a new provision we added, but it was because the Treasury had not yet issued a regulation. We wanted the Fish and Wildlife Foundation to be based on the type of language used in the Park Foundation program to allow them to make a contribution to the Federal Government. That is all this legislation does. People are not looking for tax advantages; they just want to help this country preserve the valuable natural resources we have.

That is the substance of our legislation. I would like to point out that with regard to the Dingell-Johnson legislation, Congressman Gerry Studds, who is chairman of the Subcommittee on Coast Guard and Navigation, has worked with Mr. Forsythe and me and has helped in working to draft this compromise. It truly reflects a compromise between our subcommittee and the Coast Guard Subcommittee in the approach we are recommending.

[The prepared statement follows:]

STATEMENT OF HON. JOHN BREAUX, CHAIRMAN, SUBCOMMITTEE ON FISHERIES AND WILDLIFE CONSERVATION AND THE ENVIRONMENT, COMMITTEE ON MERCHANT MARINE AND FISHERIES

Mr. Chairman, it is a pleasure to appear before this committee. I particularly appreciate the promptness with which you scheduled the hearing on the two bills which we recently passed out of the Merchant Marine and Fisheries Committee; the Boating Safety and Sport Fish Improvement bill, and the Fish and Wildlife Foundation bill.

Mr. Chairman, we believe that H.R. 2163, the Boating Safety and Sport Fish Improvement legislation is important for a number of reasons. The testimony of Congressman Gerry Studds, the Chairman of the Coast Guard Subcommittee and the prime author of title I, which I would like to introduce into the record at this time, elaborates on the need for greater support of boater safety programs; I will focus on the sport fishery title of the bill.

The U.S. Fish and Wildlife Service, in their 1980 fishing and hunting survey, estimated that approximately 54 million Americans fished in 1980. In pursuing their sport, they spent approximately $17.3 billion. Fishing is the most popular outdoor sport; the numbers of back packers, birdwatchers, mountain climbers and even hunters pale in comparison to the number of people in this society who fish. It is interesting to note that fishing draws its enthusiasts from all economic groups in the U.S. population; almost of all fishermen come from households with incomes of less than $20,000. It is also interesting that fishing is particularly popular with young people, indicating that the sport will continue to grow if high quality fishing continues to be available in this country. And that brings us to the reason for the sport fishing title of this legislation.

Mr. Chairman, I am afraid the days of the solitary fisherman fishing largely untouched and unmanaged waters are gone. More and more the pressure of large numbers of fishermen, pollution of fishing waters and other factors are requiring the States to more actively manage their waters if they are to continue to provide quality fishing. In a recent survey conducted by the American Fisheries Society, the States estimated their additional sport fishery management needs to be in excess of $130 million. I am certain that later witnesses will provide additional information regarding these needs; at this time I will only note that, in these tight budget times at the Federal and State Government level, the role of State fishery managers must be particularly difficult.

An unusual aspect of the hunting and fishing community, and one of the reasons that chairing the Subcommittee on Fisheries and Wildlife Conservation and the Environment is particularly rewarding, is the willingness of the sportsmen to tax themselves to improve the quality of their sport. Unlike many other interest groups that come before us, they are always willing to pay their fair share. The problem we on the Committee on Merchant Marine and Fisheries have been grappling with over the past several Congresses is how to develop an equitable method of providing additional support for state recreational fishing programs. I believe that the legislation you have before you accomplishes that purpose.

H.R. 2163, as reported by the Committee on Merchant Marine and Fisheries, is based squarely on the equitable concept that persons paying a "user tax" derive some benefit for the tax they are paying. Recreational boaters and fishermen pay two such taxes. Fishermen, when they purchase rods and reels and certain other fishing tackle items, are paying extra because of a 10 percent excise tax placed on some fishing tackle items at the manufacturers' level. The proceeds of this tax go to the State natural resource agencies for projects to improve recreational fishing. This program, known as Dingell-Johnson or D-J after its original co-sponsors, has been the cornerstone of State recreational fishing programs for almost 30 years. Its only problem is that the receipts from the excise tax have failed to keep up with the increased pressure on fishery resources and the increased needs of State fishery agencies.

Recreational boaters, including fishermen who use power boats, pay another user tax for which they receive very little benefit. This is the 9 cent a gallon tax on gas, the so-called motorboat fuels tax. When we raised the tax from 4 cents to 9 cents last year, all of us in Congress were very careful not to label the increase a new tax, but a user fee that would provide direct benefits in the form of better roads and other benefits to the people paying the tax.

Well, the people paying the tax on gas for their recreational boats are not getting much of a benefit. Theoretically, that portion of the gas tax attributable to motorboat fuels is fixed by the Secretary of the Treasury and placed into two funds; the Boating Fund and the Land and Water Conservation Fund. However, both the Boating Fund and the Land and Water Conservation Fund have received only token appropriations. Of the $45 million authorized annually for the boating fund, only $5 million has ever been appropriated. The land and Water Conservation Fund receives funds from other sources, such as OCS revenues. While the appropriations under the Land and Water Conservation Fund have been higher, they have rarely been for projects that provided any benefit for recreational boaters.

This legislation would rectify this situation. It would direct the proceeds from the motorboat fuels tax into the programs that most benefit fishermen and recreational boaters. It would leave the boating fund intact; up to $45 million could be used for State boating safety programs and for Coast Guard recreational boating safety programs. Any amount that is not appropriated for these purposes would go to the Sport Fish Restoration program. This would insure that all of the motorboat fuels tax is used for purposes that benefit boaters and fishermen. The legislation would also divert current import duties on fishing tackle and pleasure craft into the Sport Fish Restoration program. Money going to the program would be allocated among the States under the same formula under which current funds are allocated; that is, based on the number of paid fishing licenses sold and the area of the State. In addition, we have made a number of changes in the legislation to insure that, in Coastal States, new funds will be divided equitably between fresh and salt water projects and that at least 10 percent of the D-J money will be used to provide for access projects that will benefit motorboat users.

This legislation would also expand the current tax on fishing tackle to include virtually all fishing tackle items. It makes no sense to require people who make fishing rods to pay a tax but not to require fish hook manufacturers to pay the same tax. I recognize that a number of the tackle manufacturers have raised questions about the equity of the tax, both from the point of view of the items taxed and problems with the application of the current tax to importers versus domestic manufacturers. I have had a number of meetings with these tackle manufacturers and I believe their concerns regarding an unfair competitive edge being provided to importers are justified. However, because of the technical nature of this tax problem, we decided to rely on the expertise of the Ways and Means Committee in resolving this issue rather than attempting a solution ourselves. We hope that this problem can be resolved and will support any effort you make to address their concerns.

Mr. Chairman, H.R. 2163 is a fairly complex legislation, but it accomplishes two simple and worthwhilie goals: returning the benefits of a user tax to the users and improving the quality of fishing and boating in this country. I urge you to give the legislation your support.

The other bill before this committee is H.R. 2809, which would establish the U.S. Fish and Wildlife Foundation.

The stimulus for the legislation was the generosity of Mr. Ted Gianoutsos, a private citizen who wanted to establish a trust for the benefit of the U.S. Fish and Wildlife Service with the proceeds being used to further the conservation of fish and wildlife resources. He discovered that, while the Fish and Wildlife Service was authorized to accept donations, there was no mechanism for the Service to manage trusts or other bequests that are designed to provide income over an extended period of time.

H.R. 2809 would resolve this problem by establishing a Fish and Wildlife Foundation similar to the Park Service Foundation. The Foundation would be a charitable and nonprofit corporation. It would be administered by a Foundation Board consisting of 9 members appointed by the Secretary of the Interior. The initial terms of the Foundation Board would be staggered to insure continuity. At least 3 members of the Board would have to be educated and experienced in the principles of wildlife management. The legislation also provides that the members of the Board, to the extent practicable, represent diverse points of view relating to fish and wildlife conservation.

Mr. Chairman, with tight budgets limiting the roles of the Fish and Wildlife Service, and with the great interest many Americans have in conserving wildlife, we believe this legislation could provide some very needed support to an agency whose role is important to maintaining the quality of life in this country. Once again, we are not experts in tax matters. Our goal in drafting the tax provisions was only to insure that the Foundation received the same tax treatment as similar Foundations. We would welcome any clarification of that provision.

Once again, Mr. Chairman, I appreciate the expeditious scheduling of this hearing and your interest in the legislation. If you or any of the members of the committee have any questions, I would be pleased to answer them.

Mr. Breaux. I would ask unanimous consent to include a statement by Congressman Studds.

Chairman Rostenkowski. Without objection, so ordered.

[The statement follows:]

STATEMENT OF HON. GERRY E. STUDDS, CHAIRMAN, SUBCOMMITTEE ON COAST GUARD AND NAVIGATION, COMMITTEE ON MERCHANT MARINE AND FISHERIES

Mr. Chairman, H.R. 2163 was approved unanimously by the Committee on Merchant Marine and Fisheries on May 10. Unanimity in politics is often cause for suspicion, but I can assure you that H.R. 2163 is a good and balanced piece of legislation.

My own interest centers on the use of money within the Recreational Boating Safety Fund. The central principle embodied in this measure is that revenues derived from gasoline taxes paid by recreational boaters ought to be used for purposes which benefit recreational boaters. That principle is consistent with the manner in which other money in the Highway Trust Fund is used; it is consistent with the Reagan Administration's repeated expressions of devotion to the principle of user fees; and it is consistent with common sense and fairness.

This bill authorize~~s up to~~ $30 million per year in Federal support for State recreational boating safety programs. These programs, initiated during the 1970's, have been credited with cutting in half the fatality rate from recreational boating accidents. During a period in which the number of recreational boats in the country more than doubled, there has been a decline in the number of persons killed in boating accidents. It is not often that a Federal program is so clearly successful in achieving the purpose for which it was created.

This bill envisions a gradual expansion in State responsibility in a number of areas of service to the maritime community. There is no reason why certain aspects of search and rescue, aids to navigation, and marine law enforcement cannot be improved through greater cooperation between State governments and the U.S. Coast Guard. The provisions of H.R. 2163 will permit the states to assume this expanded role.

The bill also authorizes up to $15 million per year for transfer to the operating expenses account of the coast Guard. The Coast Guard's formal recreational boating safety program, in addition to other services provided annually to boaters by the Coast Guard, costs several times this $15 million amount. It seems to me logical that the Coast Guard should receive a portion of the revenues derived from the motorboat fuels tax in return for these services. The Administration has, on three occasions, asked Congress to approve legislation that would impose "user fees" for services provided by the Coast Guard. The recreational boater is already paying a 9¢ per gallon "user fee" for gasoline. I believe there is a consensus within the boating community, backed by one on the Merchant Marine and Fisheries Committee, that the application of the user fee principle embodied in H.R. 2163 is both equitable and fully consistent with the Administration's own professed goals.

During our Committee's mark-up of H.R. 2163, Representative John Breaux offered an amendment which consisted primarily of the provisions of another bill, H.R. 1724. Those provisions ought most logically to be explained by Representative Breaux, rather than by myself. I do, however, want the record to reflect that I fully support the inclusion of his language in this bill. I think it is logical to enact a single piece of legislation which covers the disposition of all revenues derived from the motorboat fuels tax. I fully support the use of a portion of the money in the Dingell-Johnson Fund for the construction and repair of boating facilities. Finally, I believe strongly in the need to provide additional sources of revenue for sport fish restoration projects.

In closing, I simply want to express my appreciation for this opportunity to submit a statement for your consideration. I hope that your Committee will join our panel in approving this legislation promptly, and that we can work together in the weeks ahead to make certain that this measure becomes law.

Chairman KOSTENKOWSKI. Ed, you may proceed.

STATEMENT OF HON. EDWIN B. FORSYTHE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY, AND RANKING MINORITY MEMBER, SUBCOMMITTEE ON FISHERIES AND WILDLIFE CONSERVATION AND THE ENVIRONMENT, COMMITTEE ON MERCHANT MARINE AND FISHERIES

Mr. FORSYTHE. Thank you, Mr. Chairman.

I ask that my statement be entered into the record.

Chairman ROSTENKOWSKI. Without objection, so ordered.

Mr. FORSYTHE. Chairman Breaux has done an excellent job of outlining this legislation. If we are to make user fees acceptable I think we have to see that the money is used for the activities for which it is raised.

As John pointed out, this is most particularly true of the boat fuel tax. It is almost like taking money under false pretenses when we have that sort of situation.

It has not been easy to get all the various interests together who now accept this tax. They desire to pay it on the basis that it will supply the services of the aid programs for the various programs under Dingell-Johnson and the Boat Safety Act that have been mentioned.

But it has been worked out here. We have been working on this for a number of years. As John pointed out, the one problem we have concerns taxation as it applies to imports which we hope you will take a serious look at. I have attached to my statement the correspondence from the American Fishing Tackle Manufacturers Association who are very concerned about this facet of the program.

I think if we could have found a good solution for them they would have been in full support of the program but they are concerned that imported tackle does get a break which gives imports an unfair competitive advantage.

Mr. Chairman, I also fully support H.R. 2809, to provide for a foundation to enable people who are willing and able to make contributions to a fish and wildlife program to do so. It is a plus so far as using volunteer contributions is concerned.

I hope you look kindly towards our program. I would be happy to answer any questions.

[The prepared statement follows:]

STATEMENT OF HON. EDWIN B. FORSYTHE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY

Thank you, Mr. Chairman. It gives me a great deal of satisfaction to appear before you today in support of H.R. 2163, a bill to amend the Federal Boat Safety Act of 1971, and for other purposes.

Title I of the bill provides for an equitable distribution of the motorboat fuel taxes paid by the recreational boating community for the benefit of that community. The taxes go into a National Recreational Boating Safety Fund which would:

(1) Finance Federal grants for state recreational boating programs, up to a total of $30 million per year; and

(2) Pay part of the Coast Guard's operating expenses for recreational boating related activities, up to a total of $15 million per year.

In my opinion, this is a reasonable example of a "user fee." It seems to me only fair that, after more than doubling the motorboat fuel tax in the Service Transportation Assistance Act of 1982, we assure recreational boaters that a large portion (if not all) of the money they pay in fuel taxes is used to provide services, programs, and facilities which will benefit recreational boaters.

Title II provides additional revenues for the improvement of sport fishing resources. The Federal aid in the Sport Fish Restoration Act of 1950, commonly known as the Dingell-Johnson Act, established a 10 percent excise tax on recreational fishing equipment, such as rods, reels, and lures. The funds raised by this tax, which is widely supported by those who pay, provides matching grants to the States' fish and game agencies for the enhancement and management of sport fishing resources. H.R. 2163 would augment revenues for this program with the excess funds attributable to motorboat fuels taxes and an amount equal to the import duties imposed on fishing tackle, yachts, and pleasure craft. In addition, H.R. 2163 would expand the items subjected to the excise tax on sport fishing equipment, including a three percent excise tax on electric trolling motors and fish finders, both of which significantly enhance the sport fishermen's odds of successful fishing.

As presented in H.R. 2163, the augmentation and distribution of these taxes is fair and appropriate. Recreational boaters, 75 percent of whom indicate that fishing is a primary purpose for their boating activities, will see their taxes returned to them in the form of enhanced recreational boating safety programs at the State and Federal level and enhanced sport fishing opportunities. The additional revenues which will be received from the sport fishing population, due to the expansion of the definition of sport fishing equipment, will be used for programs which directly benefit them.

This legislation is supported by a broad coalition of interest groups, including conservation groups, boating manufacturers, boating users, fishermen, State boating law administrators, the International Association of Fish and Wildlife Agencies, fisheries scientists, and a large number of tackle manufacturers.

The only opposition which has been raised to this legislation has been received from the American Fishing Tackle Manufacturers Association (AFTMA) who have described two basic problems which they have experienced with the existing Dingell-Johnson program—and which, they believe, will be magnified by the expansion contained in H.R. 2163. First, they believe that the definition and interpretation of what constitutes a "first sale," when applied to domestically manufactured products versus those products that are imported, results in an unfair bias in favor of those who import. Secondly, they contend that non-uniform interpretation of the current regulations by the Internal Revenue Service has led some of their members to spend thousands of dollars on legal fees in an effort to resolve the resultant disputes. I have attached to my statement a letter which I received from Thomas R. Schedler, the Executive Vice President of AFTMA, which contains several examples of the latter problem. We on the Committee on Merchant Marine and Fisheries are sympathetic to the issues which the AFTMA has raised, but feel that the resolution of these problems, if appropriate, should take place within the jurisdiction of your Committee, because of your experience and expertise in these matters.

In summation, Mr. Chairman, I believe that the distribution and increase in taxation contained in H.R. 2163 is equitable, has broad support among the affected interest groups, and will be used to enhance worthwhile and valuable programs. I would therefore urge the Members of your Committee to join with me in supporting H.R. 2163, after careful consideration of the concerns of the American Fishing Tackle Manufacturers Association.

Thank you very much for the opportunity to testify here today.

Attachment.

[Attachment]

American Fishing Tackle Manufacturers Association,
Arlington Heights, Ill., May 11, 1983.

Hon. Edwin B. Forsythe,
House of Representatives,
Washington, D.C.

Dear Congressman Forsythe: As you requested during the hearings of the Subcommittee on Fisheries and Wildlife Conservation and the Environment, House Merchant Marine and Fisheries Committee, which took place on March 8, 1983, I am enclosing some information for you which should provide you with an indication as to the kinds of difficulties that many of AFTMA's members are experiencing as a result of one of the major deficiencies which currently exist in the Dingell-Johnson excise tax program, specifically, lack of uniform interpretation by agents of the Internal Revenue Service.

One of our members, Mr. Twister of Minden, Louisiana, provided me with a letter dated April 22, 1983, along with supplemental information from his attorney. A second AFTMA member, Storm Manufacturing Co., had a lengthy telephone conversation with me and my memo to the file (copy attached) summarizes the essence of that discussion. If, after you and your staff have had an opportunity to review the enclosures, you have any questions or have need for additional information, please do not hesitate to contact me.

Sincerely,

Thomas R. Schedler,
Executive Vice President.

Memorandum—American Fishing Tackle Manufacturers Association

April 27, 1983.

To: File—Storm Manufacturing Co.
From: Thomas R. Schedler.
Subject: Dingell-Johnson excise tax difficulties.

The following is a summarization of discussions that I have had with Mr. Richard Storm, chief executive officer of Storm Manufacturing Company, regarding the problems that he has encountered with the Internal Revenue Service relating to uniform interpretation of the Dingell-Johnson manufacturers excise tax on certain fishing tackle products.

As background, it should be pointed out that Storm Manufacturing Company is a distributing company and that it does distribute lures that are manufactured by Storm Plastics, which is an independent company with some common ownership. In addition, Storm Plastics custom manufactures lures for a number of other lure firms and sells these lures to these companies for either the same price that it sells them to Storm Manufacturing, or in some instances, even a lower price.

It is the contention of the Internal Revenue Service that the relationship between Storm Plastics and Storm Manufacturing is not "arms length" and that the prices which Storm Plastics sells its products to Storm Manufacturing are not "fair market prices," and, as a result, a "constructive sales price" was imposed.

As a result of several audits which Storm Manufacturing and Storm Plastics have undergone for the period 1969-1975, Storm Plastics was assessed an amount of $96,000 in additional taxes, plus $60,000 in accumulated interest. During this same period, as a result of the differences with the IRS, approximately $60,000 in legal fees was incurred and lost time in excess of $150,000.

Storm Manufacturing and Storm Plastics are now awaiting a third audit covering the period 1976-1980 and if a ruling is made in favor of the Internal Revenue Service, Storm Plastics will have to pay approximately $300,000 in back taxes, plus interest. To date, they have incurred legal fees in excess of $2,000 and lost time of approximately $25,000, and if Storm pursues the litigation with the IRS, legal fees will approach $40,000 and lost time of about $125,000.

The problems that this AFTMA member has experienced in dealing with the Internal Revenue Service on interpretations of the regulations governing the Dingell-Johnson excise tax can best be summed up as follows:

1. Criteria for what constitutes "fair market price" and "arms length transactions" need to be written into law. Currently, there are not clear definitions for these two terms which results in each case being handled on an individual basis by the agent.

2. Current excise tax laws, regulations and rulings pertaining to fishing tackle products are based on automobile sales excise tax. This is not proper as the automotive industry and the fishing tackle industry are very dissimilar.

3. Interpretations of "fair market price" by one IRS agent can be interpreted differently by a second agent, the result being that whatever was agreed to previously with the first IRS agent can be changed at a later date in another audit period by the second agent.

4. The burden of proof is on the tax payer in that the responsibility for preparing the necessary industry statistical comparisons rests with the manufacturer because the IRS contends that it does not have the manpower or time to do this research.

Mr. Storm will be available to provide additional information on the above to members of the House Subcommittee on Fisheries and Wildlife Conservation and the Environment.

MISTER TWISTER, INC.,
Minden, La., April 22, 1983.

THOMAS R. SCHEDLER,
AFTMA Center,
Arlington Heights, Ill.

DEAR TOM: This letter is in response to your request for information about our problems with the excise tax and its inequities.

Whether we were right or wrong in setting up our companies and paying the tax as we did is yet to be decided. I think what should concern other AFTMA members are the inequities involved with the audit and the effect it had on our business as a whole.

I would like to submit the following summary:

History: In 1973, Glynn Carver owned Carver Manfacturing Company, Minden, Louisiana, for the manufacture of soft plastic worms and selling plastic formulation by the drum, to other manufacturers on an O.E.M. basis. The lures were sold excise tax paid, since Carver was the manufacturer.

Mr. Ric Welle owned Ric Jig Tackle Inc., International Falls, Minnesota. Ric Jig manufactures lead products, such as spinner baits and jigs for other companies. Ric Jig sold all finished lures excise tax paid.

In 1974, Glynn Carver and Ric Welle formed Mister Twister, Inc., a corporation for the packaging and sale of fishing lures to wholesale distributors and chain stores. The soft plastic lures were purchased fom Carver Manufacturing and lead products from Ric Jig Tackle, Inc. Master Twister was owned by Glynn Carver and Ric Welle on a 50/50 basis.

In 1977, an IRS agent came to audit Carver Manufacturing for excise tax. Since Carver Manufacturing's largest customer was Mister Twister, Inc., he ruled that the companies were not operating at arm's length, since the control of both companies was held by Glynn Carver and Ric Welle. The period for the audit was March 1974 thru June 1976. Subsequently, the IRS has audited a second period from July 1976 thru June 1979.

The IRS audited both Carver Manufacturing and Mister Twister, Inc., and assessed both companies for additional excise taxes on sales of product by Mister Twister.

The total assessments for the period 1974-76 were $1.65 million additional taxes, before penalty and interest. Our sales in Mister Twister were $6.88 million. Carver Manufacturing paid $186,000 in excise taxes. Please note the paid taxes, plus the proposed increase is 19.6 percent of gross sales. There were no deductions made for export sales or non-taxable sales. The collection agent realized this was an impossibility and reduced the amount to $879,000!

The audit period was from 1974 through June 1976. We never received the assessments until July 1980. In the meantime, we continued to operate with the same structure.

If the audit had been conducted on Mister Twister correctly and we were incorrect in assuming the tax base should be on first sale at fair market value, the proposed increase should have been approximately $300,000.

The only way to litigate an excise tax issue is to pay the tax or pay a portion of the tax assessed for each quarter under audit and supply a security for the balance assessed. Then, a refund claim is submitted to recover the tax paid and the IRS denies the claim. The tax payer then must sue the IRS in Federal District Court. In our case, we had to come up with a $879,000 security in order to even sue and get our chance to defend ourselves. A security acceptable to the IRS is normally a bond or letter of credit. One of this size is not easy for a young growing company to obtain.

With this assessment and potential future assessments for subsequent years of operating in the same manner, it was impossible to obtain financing from any lending institution other than General Electric Credit Corporation, the company that we were with during the audit and prior to July 1980, when we finally received the assessments. Financing costs were 5 percent over prime rate.

In the spring of 1982, G.E.C.C. decided to discontinue financing Mister Twister due to the general economic climate and the potential excise tax liability. Their decision was to liquidate the loan at minimum loss to themselves, even if it meant complete liquidation of the company.

After discussing financing with several institutions, we concluded that as long as the potential excise tax liability was over our heads, we could never obtain financing. Hence, we were left with 2 alternatives. That was to bring in an outside investor and sell control of the company or file Chapter 11.

Chapter 11 would have hurt vendors and reps that had been loyal to us thru all our growing pains. Hence, Glynn Carver agreed to sell his stock in Mister Twister and I agreed to give up control in order to bring in an outside investor and avoid Chapter 11.

We have filed all interrogatories and are scheduled for a pretrial hearing in July and have a trial date for August 1983. The trial date is 3 years after receiving the assessments and 7 years after the end of the audit period.

Mister Twister has spent in excess of *$150,000* in legal fees trying to resolve this issue. Also, many hours of my time have been wasted that could have been spent on productive projects for my company and AFTMA.

The biggest inequity in the law, as I see it, is the fact that the law's interpretation is left up to the auditor. The present tax and any expansion gives the IRS another reason to audit and harass the small businessman. The IRS won't take the time to audit small companies that are evading or are ignorant of the tax.

I have enclosed a letter from my attorney that summarizes the issue. Hopefully, this letter will help you convince the senators involved, in sponsoring expansion of this bill, that it is a hardship and unfair in its present form.

A federal tax of $2 or $3 on all fishing license holders and boat registrants will generate 70+ million dollars. This is such a simple solution to this whole mess.

Please feel free to use this letter and my attorney's summary in anyway you see fit. If more details are needed, just give me a call. Do all you can to correct and/or eliminate the excise tax on fishing lures.

Thank you.

Best Regards,

RIC WELLE, *President.*

Enclosure.

LAW OFFICES OF
THEODORE (TED) L. JONES,
Baton Rouge, La., May 15, 1982.

Re: Mister Twister, Inc.; Carver Manufacturing Co.; Carver Plastisols, Inc., and Carver Manufacturing, Inc.—Excise tax cases.

GLEN R. WELLE,
President, Mister Twister, Inc.,
Minden, La.

DEAR MR. WELLE. Pursuant to your request, the following is my analysis of the status and potential excise tax liability of the referenced companies for the quarters ending 7403–7606, inclusive, (the "first audit period") and 7609–7906, inclusive, (the "second audit period"). Unless otherwise indicated, all references to statutory authority or the Code shall mean the Internal Revenue Code of 1954 (26 USC).

AN OVERVIEW

For the first audit period Mister Twister, Inc., Carver Manufacturing Company (a partnership) and Carver Plastisols, Inc. were examined by the Internal Revenue Service to determine compliance with Section 4161 (Manufacturer's Excise Tax) of the Internal Revenue Code.

During the first audit period Carver Manufacturing Company manufactured fishing lures subject to the tax imposed by Section 4161 and sold in excess of 90 percent of its output to Mister Twister, Inc., (except for the period ending 7403, wherein Carver Plastisols, Inc. purchased most of said output). During the quarters at issue, Carver Plastisols, Inc. and Mister Twister, Inc., engaged solely in the business of distributing lures and baits.

At the close of the audit, the Examining Officer issued his Revenue Agent's Reports for the three companies showing the following proposals:

Company	Quarter(s)	Proposed increase	Proposed penalty	Total
Mister Twister, Inc.	7406–7606	$679,394	$33,970	$713,364
Carver Plastisols, Inc.	7403	11,645	3,494	15,139
Carver Manufacturing, Inc.	7403–7606	485,724	25,301	511,025

The officer concluded that due to the common ownership of the companies, the sales by Carver Manufacturing Company to Mister Twister, Inc. and Carver Plastisols, Inc. were made at less-than-arm's-length. It is not clear from the Revenue Agent's Report whether the officer actually found such sales to be made at less than a fair market price. Apparently, the officer believed Section 4216(b) to be applicable upon his finding of the arm's-length question alone. In either event, the examining officer computed a constructive sales price upon all sales from Carver Manufacturing to Mister Twister and Carver Plastisols. The proposed adjustments were based upon the tax rate as applied to the constructive base.

Additionally, the officer (without citing applicable authority) determined that Mister Twister, Inc. and Carver Plastisols, Inc. were "manufacturers" with respect to all taxable lures purchased from Carver Manufacturing Company. A constructive sales price and tax were computed and proposed even though the sales used were the same sales used in computing the tax for Carver Manufacturing Company.

The second audit period involved a new company—Carver Manufacturing, Inc. Otherwise, the issues are identical. In issuing his Revenue Agent's Reports for the second period, the officer made the following proposals:

Company	Quarter(s)	Proposed increase	Proposed penalty	Total
Mister Twister, Inc.	7609–7906	$486,580	0	$486,580
Carver Manufacturing, Inc.	7703–7906	430,773	0	430,773
Carver Manufacturing, Co.	7609–7612	55,807	0	55,807

Additionally, by separate agreement with the government, the periods ending 7909–7912 will be audited and settled after disposition of the pending cases.

STATUS

For the first audit period, sums representing the alleged tax upon one item, unit or transaction per quarter have been paid in to the treasury for each company. Security for the remaining liability (in lieu of payment in full) has been furnished the Internal Revenue Service. You might note that the security required ($879,098.62) is substantially less than the total proposed assessments for the first period ($1,239,528.00). The Collection Officer, Mr. Weldon, calculated the security figure as the maximum amount necessary to protect the government if all issues were eventually decided in its favor.

Claims for refund were filed for Mister Twister, Inc. and the partners of Carver Manufacturing Company in late 1981. A claim for refund on behalf of Carver Plastisols, Inc. was filed in January, 1982. We anticipate filing suit in Federal District Court (Western District of Louisiana) in June, 1982—immediately after the running of the six month period required by law. As you know, Section 7422 and other sections of the Code require the lapse of six (6) months or actual receipt of a denial before a suit for refund may be properly maintained.

The second audit period has been placed in a suspense status at the Regional Appeals office in New Orleans, Louisiana. The Service agrees that the issues in the second audit period are identical to the first audit period and that duplicative assessments and litigation would serve no useful purpose to the government or the companies involved. Consequently, the government has assured us, through its Appeals Officer, Mr. Phillip Seiber, that once our suits are filed, no effort will be made to revoke the suspense status of the later cases.

LEGAL POSITION

Our legal position with respect to the tax liability of Mister Twister, Inc. and Carver Plastisols, Inc. is elementary, but rooted in the Code, Treasury Regulations, and case law.

During the periods at issue, Mister Twister, Inc. and Carver Plastisols, Inc. purchased their entire inventory from Carver Manufacturing Company and other companies. Neither company performed any manufacturing function or any activity which might be construed as manufacturing under Section 4161. We therefore take the position that neither company is subject to the tax imposed by Section 4161. Further, we acknowledge that Section 4216 grants the Secretary or his delegate the power to compute a constructive sales price in certain cases. However, no section of the code grants the power to constructively construe manufacturing status where none exists under law. It is therefore our position that the only taxpayer in this dispute is Carver Manufacturing Company. Even the Collection Officer agrees that the tax can be imposed and collected only once per manufacturing effort.

Our position with regard to the actual manufacturer, Carver Manufacturing Company, is as follows:

The Examining Officer held that the sales from Carver Manufacturing to Mister Twister, Inc. and Carver Plastisols, Inc. were at less-than-arm's-length on the basis of common ownership and control, notwithstanding the fact that Carver Manufacturing Company was a partnership. Additionally, the Examining Officer did not find the sales in question to be made at less than a fair market price. Rather, he noted that the tax paid by Carver Manufacturing was lower than that paid by Carver Plastisols, Inc. before the former was organized.

We can demonstrate as a matter of state law that Mister Twister, Inc. did not control Carver Manufacturing Company. Two partners in Carver Manufacturing Company did not hold shares of Mister Twister, Inc. Under Louisiana Law, these partners could have terminated and partitioned the partnership at any time.

In demonstrating to the court that such sales were in fact made at arm's length, we will rely upon oral testimony and the legal status of the parties under state law.

To compute a constructive sales price the government must not only find that sales were at less-than-arm's-length, but also that they were made at less than fair market value. See Section 4216(b)(1)(C). We can demonstrate that Mister Twister purchased comparable lures from other manufacturers at prices equal to or greater than the prices paid to Carver Manufacturing Company.

CONCLUSION

With regard to Mister Twister and Carver Plastisols, we feel that our legal position is sufficient to sustain a motion for summary judgment upon the "manufacturing status" issue.

With regard to Carver Manufacturing, we feel that we have an even 50-50 chance to demonstrate an arm's length relationship to the court's satisfaction. As to the fair market price issue, we are confident that we can demonstrate in most if not all quarters encompassed by the first audit period, that the sales were made at a fair market price. Therefore, we believe that the position of the government regarding Carver Manufacturing Company has virtually no chance of being sustained in total.

Sincerely yours,

ALVA C. SMITH, Jr.

Chairman **ROSTENKOWSKI**. Thank you.

As reported by your committee, H.R. 2163 imposes excise taxes on sport fishing equipment, electric trolling motors, and certain other items. No refund or credit mechanism is provided for equipment purchased for commercial fishing purposes.

John, is it intended that this tax apply to commercial fishing equipment?

Mr. **BREAUX**. Mr. Chairman, it was not the intent of the committee when we drafted the legislation to include commercial fishermen. They are paying enough for different commercial fishing licenses and so on, it is not intended to address the commercial fishermen.

It is intended to address the sport fishermen of which there is a sufficient number. The present program is sport fishermen only and we have no intention to change that.

Chairman **Rostenkowski**. Under present law, boating fuels tax revenues not deposited in the boating fund are placed in the land and water conservation fund. H.R. 2163 would allow these excess revenues to be used for fish conservation purposes.

The Interior Department has expressed opposition to this change. Have you discussed this with anybody in the Interior Department, or the House Interior Committee?

Mr. **Breaux**. With the committee, I think they have been following what we have been doing and we are working with them; and with the Department of Interior I think initially their testimony before our committee was that there was a very definite need to increase the funding to the States. I think perhaps what they are having problems with in the administration is not the concept but I think perhaps the idea of earmarking the funds. We are talking about $3 million being in the Land and Water Conservation Fund now that is not being used.

What we have now is people paying a tax that is not being used for the programs it was intended to assist. I don't understand their objection if there is a clear objection. We tried to work with them and they supported the concept but when it came to paying the bill we lost some of that support.

Chairman **Rostenkowski**. Are there any other questions?

Mr. Jones will inquire.

Mr. **Jones**. Thank you, Mr. Chairman.

John, Ed, I appreciate your testimony. Let me ask you, did your committee determine how much the Dingell-Johnson fund needs to meet the need out there for fishing, conservation, and promotion, and how did you arrive at that number?

Mr. **Breaux**. Mr. Jones, we had testimony, extensive testimony from the various interest groups and the States who presented testimony before the committee. You are not going to get any State to come before Congress and say they cannot use more money. So we asked them after they made the statement, if there was a serious need, to go out and take a survey. This money does not come to the State unattached.

The Federal Government puts up 75 percent but the State must match 25 percent. So we asked the States to do a survey and list particular needs of how the money would be spent in their particular State. The results indicate that $134 million could be used right now and that the States would be ready to put up their share for programs to benefit sport fishing in their respective States. We think the information is as reliable as we could have because it requires them to put up that match and they are willing to do that.

Mr. **Jones**. Let me ask you, do you agree with Treasury's statement that the products on which this tax is to be levied should be delineated in the legislation rather than have a general concept of what is covered and what is not?

Mr. **Breaux**. We tried to do that to a certain extent by listing the new items not now covered that we wanted to cover. It is a tough problem. If we are talking about feathers, some are used for a hat, some are used for fishing lures. It is difficult to say where you will draw the line.

We have tried to draw it as best we can by listing the items. We have a basket clause that says "and other items used for fishing purposes."

I agree it would give Treasury problems that they would perhaps not have expertise in. Most of the items are small ticket items and if they are dropped it won't have a serious effect on the bill.

Mr. **Jones**. What about those tackle boxes that are used for fishing purposes as well as nonfishing purposes that I keep hearing about?

Mr. **Breaux**. True, but I would say that 95 percent-plus are used for something in the fishing area, Mr. Jones. Some are perhaps used for sewing boxes. The interesting question is, suppose all the fishing tackle box manufacturers called it a sewing box?

Would they get away from having to pay the tax? In theory, yes, maybe, but in theory, if the tackle box—I don't want to create more paperwork—perhaps if they used it for a sewing box they could file an exemption.

Maybe that is not the way to go, but I would hesitate to say that the fishing tackle box would not be covered, when you have rods, reels, and hooks being covered, just because you have a possibility of using a fishing tackle box for a sewing box. It is a tough call.

Mr. **Jones**. As I understand it, your transfer of the fuel tax to the D-J fund was intended to be in lieu of an excise tax on boats and accessories. Such things as trolling motors, depth sounders which are basically used on the boat for navigation purposes; they can be used for idenifying fish and things like that also.

But, things like that are more identified with the boat. We agree that something like that may be exempted from this specific excise tax?

Mr. **Breaux**. Two quick points, Mr. Jones. You have indicated the history of our committee in trying to wrestle with this problem. Initially we had a new tax on boats, motors, and trailers. That was the big ticket item. There was just not enough support to levy a 3-percent tax on boats, motors, and trailers in the country although fishermen would benefit and people would buy more boats. What we did was to drop that concept and use a tax that is already in place that is not being spent.

That is the motorboat fuels tax.

The question is, Mr. Jones, an excellent question, What do you do with a depth finder on a boat? It is advertised as a fish finder. Most of the manufacturers say they are for finding fish. Is that a fishing equipment item?

Legislation we present to this committee would say that it is. There is no question about it, that in addition to finding fish, there is a big safety item there, and that is, it tells you how deep the water is and it is also used for navigation purposes. There is a tremendous amount of safety involved in that equipment. So, I don't know.

I have said it should be included, but it could be identified as primarily a navigation aid, safety aid and therefore would not be included.

I think we could go with either approach.

Mr. JONES. You would have no objection to excluding that?

Mr. BREAUX. I would have no objection. I am willing to just about compromise to anything in this legislation to get it passed. It is that critical to this Nation of ours.

If it takes that to get the support out there, I am willing to move in that direction and support that.

It is a close call and I think your call is certainly as good as ours.

Mr. JONES. One last question, Mr. Chairman.

All these new items which are levied in the excise tax, how much are you estimating that is going to raise in total?

Mr. BREAUX. We have a breakdown of additional funds that would be raised by the items that would be added. The added items would be an additional $10 million. These are fishing items not now covered.

The current tax on tackle brings in about $35 million.

Mr. JONES. Thank you, Mr. Chairman.

Chairman ROSTENKOWSKI. Mr. Duncan will inquire.

Mr. DUNCAN. I want to thank both of you for the many number of years you have worked on this. Did you have all your various groups in agreement before your committee?

Mr FORSYTHE. We did, I think.

Mr. DUNCAN. Fishing groups and so on?

Mr. FORSYTHE. Yes, the only exception is the Tackle Manufacturers Association. Their problem is with the belief that the tax gives the edge to the importer rather than the American producer.

That is one we hope you can find a way to solve.

Mr. DUNCAN. Do both of you agree that that is a problem and we should look into it?

Mr. FORSYTHE. Yes.

Mr. BREAUX. It is a problem.

Mr. DUNCAN. There is an advantage over a domestic manufacturer, do you agree?

Mr. BREAUX. Yes, Treasury has told us that they have the authority to look behind those arrangements and work equity, but don't think they have the time and the money to do it.

So, I think something from this committee giving the direction in that area would be very helpful and probably solve the problem.

Another point I would add is, as much as you can get unanimous agreement on anything in Congress, I think this represents one.

Mr. DUNCAN. You do agree that imports have an advantage over domestic manufacturers?

Mr. BREAUX. Imports made at a substantially lower price than the domestic manufacturer can produce it are brought in and the tax is levied at the overseas price. The importer has a distinct advantage over our domestic manufacturers to the point of driving them overseas. The domestic manufacturer just can't compete.

He will just go build it in Taiwan or wherever.

Mr. DUNCAN. Thank you, Mr. Chairman. I hope we can look into that in the future.

Chairman ROSTENKOWSKI. Mr. Jenkins will inquire.

Mr. JENKINS. Thank you, Mr. Chairman. I want to thank each of you for your leadership in this particular measure.

As you know, I am particularly interested in freshwater sports fishing. In my particular district, there are two lakes with visitation of 14 or 15 million people. I am supportive of the legislation and I will do what I can to help you in this effort. I want to ask about the allocation of funds for fish restoration projects and other fresh water activity.

Mr. **Breaux**. How the money would be allocated, the current existing Sport Fishery Restoration Act, commonly referred to as the D-J legislation, divides the money among the States according to a formula that considers the size of the State, and the number of licensed fishermen in the State.

Then the money under that formula is divided among the States.

Now, we do not change the formula other than to say that new funds would be divided in coastal States equally between the saltwater fishermen in the State and the freshwater fishermen.

There seems to be strong agreement among the fishing groups that this is equitable in the coastal States and their percentage of new money would be equally divided under that formula.

The State has a tremendous amount of leeway as to the type of projects that they can use the money for. We have broad categories, launching ramps, stream enhancement, lake enhancement, safety programs for sport fishermen, et cetera.

All of those are legitimate items.

Mr. **Jenkins**. The fishing associations in my area are supportive of this, but they want to make sure that the money which is allocated is, in fact, going to be used in enhancement of fishing opportunities in these freshwater lakes and streams.

But they want to make sure that the money that they pay is going to go back into that.

Mr. **Breaux**. I would say, Mr. Jenkins, we have intended to do that. In fact, we have reduced the amount to be used for administration of the program from 8 percent to 6 percent.

Then, the second thing is that the great tragedy in this country with respect to sportsmen is the fact that we are asking them to pay a motorboat fuels tax of 9 cents and clearly it does not go to highways because they are not using their boats on highways; that 9 cents is not being used for the program that we told them it would be used for.

I can understand they are hesitant.

Mr. **Jenkins**. I thoroughly agree with you. I offered an amendment in this committee to raise that $25 million cap to $45 million when we took up the fuel tax matter.

Mr. Breaux, how much is not being appropriated now?

Mr. **Breaux**. In the Land and Water Conservation Fund, there are $3 billion not being used. The generated taxes here would be $85 million this year with the new tax. The most appropriated in the past has been $5 million.

Mr. **Jenkins**. As long as we have the taxes coming in for a special purpose—in this case, sports fishing—we ought to spend the money or reduce the taxes if we won't use it.

Mr. **Breaux**. I strongly agree. You said it in a nutshell. If you don't use it, don't tax it.

Mr. **Jenkins**. Thank you for your testimony.

Chairman **Rostenkowski**. Mr. Moore will inquire.

Mr. **Moore**. Thank you very much.

I would like to thank both of the gentlemen for their testimony in support of this bill. In particular I want to commend my colleague from Louisiana, Mr. Breaux, who I know has been working for the better part of 3 years trying to come up with an acceptable taxing scheme to raise the money for this important program.

Our State is a big fishing State. We have had controversy over this. I want to compliment the gentleman after these 3 years of work. It is a difficult road and you deserve a great deal of commendation for your work.

Thank you, Mr. Chairman.

Chairman Rostenkowski. Mr. Hance will inquire.

Mr. Hance. Thank you, Mr. Chairman.

I, too, would congratulate Mr. Breaux and Mr. Forsythe on their hard work. I do, however, have one area of concern.

The legislation we are looking at extends the current 10-percent manufacturers' excise tax on fishing equipment to other articles that are not presently taxed. One of these items is preserved-package bait. I guess the purpose of this addition would be to place the 10-percent excise tax on manufacturers who produce sufficient bait to sell to retailers for resale.

All along the Texas and Louisiana coast, there are small bait stands whose owners purchase mullet, small shrimp, squid and other products from fishermen for resale as bait. Some catch part of their bait in small bait boats. Some of the bait is sold fresh, some of it is still live when sold, some is placed in cartons and frozen.

My question would be, Would these small, family-run bait stands be considered manufacturers under this bill and their bait subject to the 10-percent tax?

Mr. Breaux. Mr. Hance, I would respond that we use crawfish for bait in Louisiana and I would be the last person to pass a tax on crawfish in Louisiana.

The idea of the concept is to tax artificial bait, lures, worms, those that are artificial, not live bait.

I guess if you take a live bait and somehow process it and repackage it, I guess the theory was that then it is an artificial bait. Again we are flexible.

That can be called an artificial bait after processing.

We thought it should be perhaps considered an artificial bait because it changed form. However, it is again not a big ticket item. We certainly don't want to cause undue problems, particularly for people in the small businesses such as most of those people are. So it could be changed.

It will be difficult. It will take a lot of staff work with our staff on the fishing aspects and your staff on the taxing aspects as to what should or should not be included when you get to those small items.

Mr. Forsythe. It does seem to me, because the language of the bill is very specific, dealing with artificial lures, artificial baits, artificial flies, the only place you get to anything connected with this would be preserved items and it doesn't go beyond that.

Mr. Breaux. The language of the bill is preserved package bait. If you have mullets or croakers and you preserve them in some way, it could be covered in our bill. I would think so.

Mr. **Hance**. My question then would be whether the tax would be applied on the cost of the bait, or would the tax be on the retail price?

Mr. **Breaux**. That would be a question appropriately addressed by the Ways and Means Committee. I don't know. What do you base a manufacturer's tax on? The cost of accumulation of raw products? I don't know.

Mr. **Hance**. Take someone with a bait boat that runs one bait stand. If this person goes out and catches bait and freezes it, he or she wouldn't have to go out every day then to do it; he or she could freeze it for next week. Don't you agree that these types of people should not be included?

Mr. **Breaux**. I would say yes, that would be included as frozen live bait. It has not been altered. It is just frozen.

Mr. **Hance**. If we had language to say that that was live bait, that would be fine with you?

Mr. **Breaux**. That would be fine.

Mr. **Forsythe**. But the language of the bill exempts it, if you look at the report. The tax is only applicable to manufactured items and would not apply to natural baits, and it lists them.

Mr. **Hance**. I guess "preserved" is the question. I think the intent from listening is to include artificial lures and things like that. I would say that the frozen or preserved should not be included even for manufacturers or anyone else.

Mr. **Breaux**. That is the intent of the committee, Mr. Hance. A natural bait that is frozen is not covered.

Mr. **Hance**. Would you comment on that? Do you agree?

Mr. **Forsythe**. I agree, yes. The preserved-package bait is in there in another section. Maybe that needs further refinement.

Mr. **Hance**. We will look into that.

Mr. Chairman, I would ask unanimous consent to submit these same questions to Mr. Woodward. I was not here at the time he testified and did not get a chance to question him. I would like to ask that I be given permission to submit these questions to him.

Chairman **Rostenkowski**. Without objection, so ordered.

[The questions were not submitted.]

Chairman **Rostenkowski**. Mr. Guarini will inquire.

Mr. **Guarini**. I want to thank our colleagues for their splendid testimony—Ed Forsythe and John Breaux.

I understand all income produced, regardless of its source of the proposed foundation, is tax free; all real estate property taxes would be exempt from any real estate tax whatever?

Mr. **Breaux**. My initial response is, yes, that is the intent of it. What we have tried to do, and what we tried to follow, was the Park Foundation program. A copy of the provisions in that area of the Park Foundation legislation apply to this bill before us.

Mr. **Guarini**. When a gift is passed through you, you sell it, it comes tax free to the foundation; is that correct?

Mr. **Breaux**. That would be the intent. I would say yes. That was the intent of the bill and that is what it clearly does.

This is an area, because of our unique jurisdictional divisions like that of the taxing items, in which we are clearly not experts, and setting up the foundation was something our committee was called upon to do.

We tried to copy the Park Foundation language and that is how they treat property.

Mr. **Guarini**. Are you satisfied to have the same tax rules apply that are applied for the Park Foundation or is it important that you have additional rules?

Mr. **Breaux**. I think it is sufficient to have this foundation tailored just like the existing Park Foundation.

Mr. **Guarini**. There would be no distinction in the rules?

Mr. **Breaux**. Other than the fact that one is used for parks and in this case it is fish and wildlife conservation.

Mr. **Guarini**. Last, does the board of directors, that is, the board appointed that administers the fund, would that board of directors be self-perpetuating or would they always be appointed by the Secretary of the Interior?

Mr. **Breaux**. They would always be appointed by the Secretary of the Interior.

Mr. **Guarini**. It wouldn't be that once the board is established they make the appointments themselves?

Mr. **Breaux**. No. It is clearly that whatever administration is there that the Secretary would be making the appointments in consideration of the terms set out.

Mr. **Guarini**. Thank you, John.

Chairman **Rostenkowski**. Gentlemen, thank you very much for joining us. You have been a great help.

The Chair calls Mr. Wes Hayden, Mr. Shupp, Mr. Sullivan, Dr. Davison, Mr. Schwartz, and Mr. Simon. Welcome to the committee, gentlemen.

Mr. Hayden, I understand that you are going to introduce Mr. Shupp.

STATEMENT OF WES HAYDEN, LEGISLATIVE COUNSEL, INTERNATIONAL ASSOCIATION OF FISH AND WILDLIFE AGENCIES

Mr. **Hayden**. Yes, sir, Mr. Chairman.

Chairman **Rostenkowski**. We will ask that each of you present your testimony in the order in which we have called you to the witness stand. Then we will get into an exchange, and the committee members will ask questions.

Mr. Hayden, you may proceed.

Mr. **Hayden**. Mr. Chairman, H.R. 2163 has been a high legislative priority item for years for the International Association of Fish and Wildlife Agencies and its members in each of the 50 States.

No one is better qualified to address these specific issues and the benefits of the program than someone who has been dealing with it on a regular basis at the grassroots level and has primary responsibility for its administration.

For that reason, we are asking that two of the State agencies people speak for the association here today because they are the most uniquely qualified to address the questions involved and to provide the information that the committee really needs.

I am proud to present Bruce Shupp, who is the chief of the Bureau of Fisheries Resources, State of New York, and Mike

Conlin, chief of the Fisheries and Wildlife Division for the Illinois Department of Conservation.

STATEMENT OF BRUCE D. SHUPP, CHIEF, BUREAU OF FISHERIES, NEW YORK DEPARTMENT OF ENVIRONMENTAL CONSERVATION

Mr. SHUPP. Mr. Chairman and members of the committee, we thank you for the opportunity to provide testimony in very strong support of H.R. 2163.

We have been talking about the time since this bill was discussed. It has been almost 7 years since the decision was made to attempt revenue expansion of the original D-J bill of 1950.

While those years have been frustrating to those of us who sought a quick fix for the D-J expansion, the progress has been steady, the support has continually grown and, most importantly in our opinion, the finished product, H.R. 2163, is a very, very, very fine piece of legislation.

Rather than dwell on the merits of the bill, I would like to provide an example of what the benefits of passing H.R. 2163 will be for New York, a State with phenomenal water resources.

New York's 4,000 lakes and 70,000 miles of rivers, totaling 4 million surface acres, ranks it fourth in freshwater area behind Alaska, Michigan, and Wisconsin. With a marine shoreline of 1,475 miles, New York's total water resources are matched by very few States.

There are about 350,000 registered boats in New York and almost an equal number of small sailing and manually propelled craft. However, my testimony will primarily address fishery benefits, although the access portion of H.R. 2163 also provides very significant benefits to the boating industry and boating enthusiasts.

In 1980, over 2 million New York anglers fished 36 million days in pursuit of several hundred species of fish. That certainly represents a lot of healthy recreation and barrels of fun, but it is much more than that.

Sport fishing in New York is big business—an industry that directly supports thousands of employees and indirectly stimulates growth of associated industries, including tourism, which is our record leading industry.

In our view, sport fishing is one of New York's major growth industries and we have facts to prove it. In 1950, New York sold 700,000 fishing licenses to freshwater anglers; in 1960, 735,000; in 1970, 814,000; and in 1982, over 1 million. We had a license fee increase of 50 percent in 1982, but fishing license sales will actually increase by 10 percent this year. We predict they will continue to rise.

Based on the U.S. Fish and Wildlife Service 1980 Fishing and Hunting Survey, the combined freshwater and saltwater sport fishing industry—including fishing boats, motors, accessories, and gas used for fishing—generated $1.1 billion to the New York economy in 1980.

We predict additional growth of $135 million in just the Great Lakes system alone by 1990—if lack of angler and boat access can be overcome.

We are confident this economic growth will occur in the Great Lakes and many other New York waters, because history clearly shows that good business follows good fishing, and New York has strong plans to both improve fishing and to improve access to it.

I have a list of some projects proposed. They are fisheries enhancement and access programs, and I will not read them since they are in my prepared statement for the record.

The only missing component in this formula for success is money—and lots of money. Our 8-year cost projections through 1990 estimate a need for an additional $60 million, or $7.5 million per year, just to meet freshwater goals. This approximates doubling the existing revenue of the Bureau of Fisheries.

Impossible? Not at all. But it is impossible without D-J expansion which represents a very vital part of the revenue projections. No one source of revenue will totally fund the program. All are part of the whole.

Dingell-Johnson expansion has been, and continues to be, a significant component of our long-range fiscal plans. New York's current annual D-J allocation of about $775,000 will minimally triple if H.R. 2163 passes. Other diversified sources of new revenue proposed in our plan included a license fee increase and an income tax checkoff program. Both were achieved in 1982.

Our administration has conceptually approved and has provided initial funding for the $32 million, 10-year Great Lakes waterway-access development program. This program was conceived, sold, and adopted as economic development, not fisheries development.

We expect Federal, State, and local revenue to be used to fund various parts of this program—including revenues from H.R. 2163.

The expanded D-J revenue will be used for the new, for the exciting, for the productive, for growth programs that are projected for our fisheries' access and expansion efforts. We intend to imaginatively and aggressively pursue nonlicense-fee State revenue, local revenue, and university services in-kind as New York's 25 percent match for the 75-percent D-J money.

New York's local governments are rapidly recognizing the economic benefits of investing in the sport fishing industry. Several New York colleges and universities now have active fisheries and marine science programs and are eager to share the research/management workload with our department. We need and welcome their help.

The development and enhancement of this Nation's fishery resources, under constant threat from conflicting water uses and with a doubling in angling pressure since 1955, is a phenomenal success story of which our profession is very proud.

However, the easy, new bonanzas are over. Maintenance of what we now have,—rectifying existing problems, tapping unexploited resources, or creating new ones—will require intensive and expensive—but very cost effective—management.

Fisheries science can manage this country's fisheries resources for its 54 million anglers if, and only if, management agencies have the fiscal resources to do the job. New York strongly supports H.R. 2163 and urges the Ways and Means Committee to act promptly and favorably on the bill.

Finally, Mr. Chairman, personally and on behalf of my agency and New York anglers, I want to sincerely thank the dedicated members and staffs of the Subcommittee for Fisheries and Wildlife Conservation and the Environment, the Subcommittee on Coast Guard and Navigation, and the Ways and Means Committee for their diligent efforts on these boating and fisheries revenue enhancement proposals.

Thank you.

Chairman ROSTENKOWSKI. Thank you.

[The prepared statement follows:]

STATEMENT OF BRUCE D. SHUPP, CHIEF, BUREAU OF FISHERIES, NEW YORK DEPARTMENT OF ENVIRONMENTAL CONSERVATION

Mr. Chairman and members of the Ways and Means Committee, I am Bruce Shupp, Chief of the Bureau of Fisheries in the New York Department of Environmental Conservation (DEC). We thank you for the opportunity to provide testimony in very strong support of H.R. 2163.

It has been almost seven years since the decision was made to attempt revenue expansion of the original Dingell-Johnson (D-J) Sportfish Restoration Act of 1950. While those years have been frustrating to those of us who sought a "quick-fix" for D-J expansion, progress has been steady, support continually grew and, most importantly, the finished product (HR. 2163) is a superb legislative package.

Rather than dwell on the merits of the bill, I will provide an example of what the benefits of passing H.R. 2163 can be for New York—a state with phenomenal water resources.

New York's 4,000 lakes and 70,000 miles of rivers, totalling four million surface acres, ranks it fourth in freshwater area behind Alaska, Michigan and Wisconsin. With a marine shoreline of 1,475 miles New York's total water resources are matched by very few states.

There are about 350,000 registered boats in New York and almost an equal number of small sailing and manually propelled craft. However, my testimony will primarily address fishery benefits, although the access portion of H.R. 2163 also provides very significant benefits to the boating industry and boating enthusiasts.

In 1980, over two million New York anglers fished 36 million days in pursuit of several hundred species of fish. That certainly represents a lot of healthy recreation and barrels of fun, but it is much more than that. Sportfishing is big business—an industry that directly supports thousands of employees and indirectly stimulates growth of associated industries, including tourism.

In our view, sportfishing is one of New York's major growth industries and we have facts to prove it. In 1950, New York sold 700,000 fishing licenses to freshwater anglers; in 1960, 735,000; in 1970, 814,000 and in 1982 over one million. We had a license fee increase of 50 percent in 1982 but fishing license sales still actually increased. We predict they will continue to rise.

Based on the U.S. Fish and Wildlife Service, 1980 Fishing and Hunting Survey, the combined freshwater and saltwater sportfishing industry (including fishing boats, motors, accessories and gas used for fishing) generated $1.1 billion to the New York economy in 1980. We predict additional annual growth of $135 million in just the Great Lakes system alone by 1990—if lack of angler and boat access can be overcome.

We are confident this economic growth will occur in the Great Lakes and many other New York waters, because history clearly shows that good business follows good fishing and New York has plans to both improve fishing and to improve access to it.

Access improvement projects are proposed for: Fresh and salt waters on Long Island and metropolitan New York City; New York City Reservoir system; Great Lakes system; Hudson River; Finger Lakes; and improved maintenance and rehabilitation of existing access sites and facilities (current shortfall approximately $700,000 annually).

Fishery improvement plans include: Restoration of walleye and landlocked Atlantic salmon in over 50 waters; fish-passage facilities for additional fishing for anadromous species across New York; restoration of lake trout in Lakes Erie and Ontario; complete the modernization of all fish hatcheries; detailed angler opinion, expenditure and demographic surveys and creel censuses for estimating catch and harvest in fresh and saltwater; increased emphasis on managing bass populations for "quality" angling; a major update of biological, physical and chemical data from all watersheds; revising and reprinting many informative, educational materials that have become obsolete, or out-of-print; expanded management studies on fin-fish in marine waters; artificial reef development in marine waters; and expanded habitat protection program for marine coastal areas and wetlands.

The only missing component in this formula for success is money—lots of money! Eight year cost projections estimate need for an additional $60 million, or $7.5 million per year, just to meet freshwater goals. This approximates doubling the existing revenue of the Bureau of Fisheries. Impossible? Not at all. But, not without D-J expansion which represents a very vital part of the revenue projections. No one source of revenue will totally fund the program. All are part of the whole!

Dingell-Johnson Expansion has been, and continues to be a significant component of our long-range fiscal plans. New York's current annual D-J allocation of about $775,000 will minimally triple if H.R. 2163 passes. Other diversified sources of new revenue proposed in our plan included a license fee increase and "income tax checkoff" program. Both were achieved in 1982.

Our administration has conceptually approved and has provided initial funding for the $32 million, ten-year Great Lakes Waterway Access development program. This program was conceived, sold and adopted as economic development, not fisheries development. We expect Federal, state and local revenue to be used to fund various parts of this program—including revenues from H.R. 2163.

The expanded D-J revenue will be used for the new; for the exciting; for the productive; for growth programs. We intend to imaginatively and aggressively pursue "non-license fee" state revenue, local revenue and university services in-kind as New York's 25 percent match for the 75 percent D-J money.

New York's local governments are rapidly recognizing the economic benefits of investing in the sportfishing industry. They need and want boat and angler access. Several New York colleges and universities now have active fisheries and marine science programs and are eager to share the research/management workload with our department. We need and welcome their help.

The development and enhancement of this nation's fishery resources, under constant threat from conflicting water uses and with a doubling in angling pressure since 1955, is a phenomenal success story of which our profession is very proud. However, the easy, new bonanzas are over. Maintenance of what we now have, rectifying existing problems, tapping unexploited resources or creating new ones will require intensive and expensive—but very cost-effective—management.

Fisheries science can manage this country's fisheries resources for its 54 million anglers, if, and only if, management agencies have the fiscal resources to do the job. New York strongly supports H.R. 2163 and urges the Ways and Means Committee to act promptly and favorably on the Bill.

Finally, Mr. Chairman, personally and on behalf of my agency and New York anglers, I want to sincerely thank the dedicated members and staffs of the Subcommittee for Fisheries and Wildlife Conservation and the Environment, the Subcommittee on Coast Guard and Navigation and the Ways and Means Committee for their diligent efforts on these boating and fisheries revenue enhancement proposals.

Thank you.

Chairman ROSTENKOWSKI. Mr. Conlin, you may proceed.

STATEMENT OF MIKE CONLIN, CHIEF, DIVISION OF FISH AND WILDLIFE RESOURCES, ILLINOIS DEPARTMENT OF CONSERVATION

Mr. CONLIN. Thank you, Chairman Rostenkowski and other members of the committee.

I am Mike Conlin. I am chief of the Division of Fish and Wildlife Resources for the Illinois Department of Conservation. I also serve on the special D-J funding committee for the International Association of Fish and Wildlife Agencies.

The Dingell-Johnson program has funded construction of 15 lakes in Illinois; land acquisition for lake construction; development and maintenance of boating access and fishing facilities on lakes and rivers; and sport fisheries management and research.

Our boating access development program has funded the construction of about 200 launching ramps on rivers, and State and public lakes and we have trained about 23,000 students in boat safety. However, the numbers of anglers and boaters have been growing and are putting increasing pressures on our resources.

For example, our 1980 sport fishing survey showed a 14.9-percent increase in angling days in only the 3-year period from 1977 to 1980—15 percent in 3 years.

To meet the demands of our 1.8 million boaters and anglers we need: additional boat access, parking facilities, boat slips, and a safe harbor every 10 miles between Waukegan and Chicago on the Lake Michigan shoreline; new lakes in the metropolitan areas of Chicago, East St. Louis, Peoria, and Rockford as well as a number of counties downstate; another 150 boat access sites on our major rivers, streams, and public lakes; production of fish at our new fish hatchery facilities to stock coho and chinook salmon, brown and rainbow trout in Lake Michigan, walleye, tiger muskie, and hybrid striped bass in large reservoirs, to stock largemouth bass, bluegill, redear sunfish, and channel catfish in our 80,000 lakes and ponds, and smallmouth bass, brown and rainbow trout in selected streams.

We need additional funds to purchase equipment for training youngsters in boat safety. Fisheries management, including aquatic weed control, fish population controls, biological surveys, creel census and habitat improvement must be expanded. Research is needed to keep abreast of the best fisheries management and fish culture practices.

To meet these recreational demands in Illinois, we estimate an additional $5.6 million is needed annually. Currently we receive about $600,000 each year through D-J and about $1.6 million through our State boating program for access development and safety education. H.R. 2163 will provide an estimated additional $2 million for our boating and fishing programs.

Funds that would be generated through this bill would come from purchases of fishing tackle and boating fuel and from import duties on fishing tackle, yachts, and pleasure craft. Thus, the programs would be paid for by the users and not by the general public through a tax increase.

Another point I would like to make is that, according to a 1980 survey by the U.S. Fish and Wildlife Service, anglers spend over $550 million per year in Illinois in pursuit of their sport. This is an important recreational pursuit.

In fact, fishing is the third most popular sport; bicycling and attendance at the pools is more popular. This yields more than $5 million in benefits, and thus, we invest a dollar and get $100 in return.

Passage of H.R. 2163 will allow for greater economic benefits. Another effect would be the creation of jobs in these economically depressed times.

Several constituent organizations in Illinois have submitted statements in support of this bill and I would like to enter them into the proceedings of this hearing. These organizations are the Cook County Forest Preserve District, the Chicago Sportfishing Association, Chicago Land Chapter of Muskies, Inc., Illinois Wildlife

Federation, Bass Federation, Illinois Bass Association and members of the Illinois Conservation Advisory Board.

I urge the members of the committee to recommend passage of this urgently needed legislation.

Thank you very much for your time.

Chairman Rostenkowski. Thank you, Mr. Conlin.

[The material referred to follows:]

Cook County Forest Preserve District,
River Forest, Ill., May 26, 1983.

Dear Congressman Daniel D. Rostenkowski: H.R. bill number 2163 pertaining to Dingell-Johnson funds is subject to hearing next week. Historically these funds have been highly important and the principal means for communities to develop and improve recreational fishing waters. It is for this reason that your support for affirmative action is requested.

The need for such funding is particularly true of the large metropolitan areas such as Cook County. The Forest Preserve District has benefited from the Dingell-Johnson in the past. However, the need is even greater now. H.R. bill number 2163 is a self-supporting activity since the revenues are obtained through a tax on the equipment and materials used by sportsmen. It is not a tax on the non-participant. The Chicagoland Sportsmen's clubs are in full support as are the local marine and tackle manufacturers.

The funds would be allocated for the much needed construction and rehabilitation of lakes, piers, ramps and fish reproduction in hatcheries. The Cook County Forest Preserve District provides yearly fishing for millions of Chicago metropolitan fishermen and it is important to expand and improve these facilities to keep up with the demand. The present economy has resulted in more fishermen seeking their recreation in proximity to their homes. It is only through such funding that an aggressive program of fish management can be continued for the citizens of this area.

Your support of the bill is sincerely appreciated and its passage will benefit those who seek inexpensive recreation close to home.

Respectfully,

Arthur L. Janura,
General Superintendent.

Illinois Conservation Advisory Board,
Park Ridge, Ill., May 23, 1983.

Hon. Dan Rostenkowski,
Rayburn House Office Building,
Washington, D.C.

Dear Congressman Rostenkowski: I have been informed that a Bill to provide additional funds for boating facilities, boat safety education and expansion of our sport fisheries has been forwarded to the House Ways and Means Committee. The Bill number is H.R. 2163.

As a boater and fisherman and as a media commentator on outdoor recreation, I am very much aware of the need for additional boat ramps, boat slips, harbors, boat safety, new lakes, and the management and stocking of our waters to improve fishing. Demand for these activities is increasing. In the Chicago area, boaters and anglers simply do not have enough places open to them to pursue these kinds of recreation. H.R. 2163 will help supply the funds to do that.

I understand the monies will come from users of equipment and fuel purchased to engage in these sports, and that is as it should be.

I am also aware of the economic importance of boating and fishing in Illinois. According to a survey conducted in 1980 by the U.S. Fish and Wildlife Service, some $550 million were spent in this State by anglers. This Bill would generate more dollars spent for these sports and would also provide more jobs in these hard times.

I urge you to support the passage of H.R. 2163.

Sincerely,

John Case.

Muskies, Inc.,
May 25, 1983.

Dan Rostenkowski,
Chairman, House Ways and Means Committee, Rayburn House Office Building, Washington, D.C.

Dear Chairman Rostenkowski: As an officer and past President of the Chicagoland Chapter of Muskie's Inc., I wish to express the feelings of our membership, and the many fishermen I come in contact with. In today's society, there is an ever demanding need for outdoor recreation. Fishing offers us the outlet to fulfill this need.

In Illinois, we are demanding more from our Department of Conservation. We need to create more fishable waters, and obtain access to existing lakes. We need to protect our environment and create a better habitat for fishing.

We realize all of this costs money, however, the sportsmen are willing to pay their fair share. Therefore, we urge your support on D.J. Expansion H.R. 2163, the Sport Fishing and Boat Enhancement Act.

Your contribution in supporting this act will ensure the people of Illinois a fishery we can be proud of.

Sincerely,

Don Dubin,
Vice President, Chicagoland Chapter.

Illinois Wildlife Federation,
Blue Island, Ill., May 24, 1983.

Hon. Dan Rostenkowski,
Rayburn House Office Building,
Washington, D.C. 20515

Dear Mr. Rostenkowski: The Illinois Wildlife Federation, comprised of over 20,000 members who care about the natural resources of Illinois and the nation, ask for your "yes" vote on H.R. 2163, the act to expand the Dingell Johnson fund for the enhancement of sportfishing and boating. We in Illinois have depended on these two forms of outdoor recreation to keep our youth, the leaders of tomorrow, out of trouble, and with our high unempolyment rate it gives those with little, a chance to put a meal on the family table.

Other forms of outdoor recreation have gone by the wayside because of agricultural practices and urbanization. There is a need to replace those lost hours with more of the lealthy, wholesome sports of fishing and boating. It was said many times by the late Mayor Richard J. Daley, "Give a man a fish, you feed him for a day, teach a man to fish, you feed him for life".

As spokesman for many Illinoisans, we need your support and a "yes" vote on H.R. 2163.

Thank you.

Sincerely,

Richard W. Kehn,
Executive Vice President.

Illinois B.A.S.S. Chapter State Federation,
Affiliate National B.A.S.S. Federation,
Normal, Ill., May 25, 1983.

Hon. Dan Rostenkowski,
Chairman, House Ways and Means Committee, Rayburn House Office Building, Washington, D.C.

Dear Representative Rostenkowski: This letter is to encourage your support of House Bill H.R. 2163 D–J Sportfishing and Boating Enhancement Act.

We, the Illinois B.A.S.S. State Federation, with 1,010 members support this bill as do other major sportfishing groups, several tackle manufacturers and many boat manufacturers.

The additional funds of course would be used to expand our fisheries resource and would also in part fund boating safety. As you know, the 1.8 million boaters and fishermen in our State also feel the need for increased sportfishing opportunity and boating opportunities. This is a user only revenue source. We the bass fishermen of Illinois are willing to pay slightly more for our tackle if we can improve the resource.

Your support of this bill would be appreciated and of course is greatly needed.

Most sincerely,

Steven Behrends,
Conservation Liaison.

Illinois Bass Association,
Herrin, Ill., May 25, 1983.

Hon. **Dan Rostenkowski,**
Chairman, House Ways and Means Committee, Rayburn House Office Building, Washington, D.C.

Dear Sir: The DJ Sport Fishing & Boating Enhancement Act provides one of the few avenues available for quality fishing and boating in the foreseeable future. With the current economic burden on the tax payer, any support for general tax increases needed to enhance the fishing/boating area will be non-existent. Therefore, direct taxation of purchases by the user appears to be one of the few viable means to circumvent the problem.

I encourage your support of HR 2163 and I further recommend a strong and concise administration of the funds with emphasis on cost/benefit analysis.

Very truly yours,

R. R. Hudson, *Chairman.*

Chairman **Rostenkowski.** Mr. Sullivan, you may proceed.

STATEMENT OF CARL R. SULLIVAN, EXECUTIVE DIRECTOR, AMERICAN FISHERIES SOCIETY, AND COCHAIRMAN, SPORT FISHING AND BOATING ENHANCEMENT COMMITTEE

Mr. **Sullivan.** Thank you, Mr. Chairman.

With your permission, I would like to have my remarks put in the record and simply summarize them.

I am Carl Sullivan, executive director of the American Fisheries Society. Our organization is 11 years old and we are the world's oldest and largest organization of fisheries scientists.

We appreciate the opportunity to testify in support of this legislation because it is our considered opinion that this is easily the most important fisheries legislation ever considered by the U.S. Congress.

That statement, we believe, will be borne out in the future. We are extremely supportive and we hope the committee will agree.

Mr. Chairman, the agricultural revolution in this country that solved the food and fiber problems came only after we accepted the fact that horse and buggy agriculture wouldn't do the job. It became possible only after we devoted a lot of funds to agriculture science and to the technology necessary to doing a better job.

The streams and lakes in this country will not in and of themselves meet the demand for fishing resources but they can be cultivated and husbanded much the same as the land and they can meet the public's need. In fact, an acre of water will produce more biomass, for instance, than an acre of land.

So it is up to us to find the technique to make our water produce the fish and wildlife resources we are searching for. The problem is primarily finances. The States have used D–J funding quite effectively, but the amount is simply inadequate.

A study of 14 years ago by Dartmouth University documented the fact that D–J funding should be substantially increased by the addition of fishing tackle items which had enjoyed exemption up to that point.

Very recently, Dr. Raymond Johnson, retired former president of AFS, completed a survey of all 64 fisheries agencies in the 50 States. There is, of course, a fisheries agency in every State, but 14 coastal States have a separate agency for marine fisheries.

If you look on page 3 of my testimony, you will see a table compiled utilizing the responses from those 64 agencies. All responded and each of them told us what their need for funds amounted to. In other words they all told us how many additional dollars they needed to manage the fisheries to meet public-use demands in their States.

The total—and it has been increasing rapidly in the last 3 years—the total now identified as $162.8 million additionally per year is needed to manage fisheries facilities and resources properly.

Now, how would the States spend that amount of money? A breakdown provided by the States is as follows: for surveys research and inventories, 18 percent; for land acquisition, for access sites, hatchery sites, wetland preservation, 9 percent; for construction and development of access areas, artificial impoundments, fish hatcheries and related improvements, 42 percent; for maintenance of existing facilities, many of which are falling in disrepair, 10 percent; fisheries management, 20 percent; coordination and administration, 1 percent.

The proposed legislation provides that no more than 6 percent of the funding total may be used to administer the program. I don't think there is a U.S. Government program anywhere that devotes a lower percentage of total dollars into getting the job done.

Mr. Chairman, we believe that the need for the dollars in fisheries management has been carefully documented. We think that H.R. 2163 is user-pay legislation of the finest tradition.

We have determined, as Congressman Breaux reported earlier, that 63 of the 64 State agencies can match the dollars that are needed. So matching is not a problem at all, in spite of what we may have heard from the Treasury Department and from the Department of Interior. They have no studies, incidentally, to support their contentions.

In 1978, according to the Sport Fishing Institute, the value of the goods and services purchased in association with sport fishing in this country was $10 billion, or just short of it. That is a marvelously valuable and important resource to this country, but it is worth absolutely zero if it is not managed and protected.

So we must invest in these resources if we are going to continue to reap that harvest every year. H.R. 2163 will assure the necessary protection and enhancement. It has broadly based support from all of the recreational fishing, boating, and leading conservation groups in the United States, plus each of the 50 States.

Again, we think it is the most important sport fishing legislation ever considered by the Congress. We commend its passage and we thank you for the opportunity to appear.

[The prepared statement follows:]

Statement of Carl R. Sullivan, Executive Director of the American Fisheries Society and Cochairman of the Sport Fishing and Boating Enhancement Committee

Mr. Chairman, my name is Carl Sullivan and I am Executive Director of the American Fisheries Society. Our Society, founded 113 years ago, is the world's oldest and largest organization of professional fisheries scientists. Although primarily a U.S. organization, we have many Canadian members and limited membership in nearly 80 foreign countries. The American Fisheries Society is vitally concerned with the protection, enhancement, and beneficial public use of our priceless renewable aquatic resources. We commend the sponsors of this legislation, and we thank the Ways and Means Committee for this opportunity to express support for its passage. H.R. 2163 is, in our view, the most important fisheries legislation ever considered by the U.S. Congress.

Mr. Chairman, America's incredibly successful Agricultural Revolution occurred only after it was learned that horse and wagon agricultural methods could not satisfy the nation's need for food and fiber. Unmanaged streams and lakes are subject to the same natural production limitations, and unless skillfully husbanded, these waters cannot possibly provide for the needs of 60 million American fishermen. To get the most from our waters we must study, protect, and manage them with the same intensity and devotion as the agricultural community has given to the land. This kind of management costs money; more money than state fisheries agencies have available.

The popular Dingell-Johnson program (Federal Aid to Fish Restoration) is based upon the user-pays principle of resource management and is the most equitable, logical, and justifiable funding means yet devised. Unfortunately, as now constituted, the D-J Act falls far short of generating the needed funds. It falls short because the funding base is too narrow. By contrast, I call the Committee's attention to Pittman-Robertson (P-R) Federal Aid to Wildlife legislation which is quite similar to Dingell-Johnson. P-R Funds annually total about 2½ times the D-J total and yet there are nearly 60 million fishermen compared to less than 25 million hunters in the U.S. The average hunter (through his payment of excise taxes) pays 7.5 times as much as the average fisherman, and is pleased with what he gets for his investment. Is there any wonder that fish management funds are so short?

Without exception, state fisheries agencies face critical funding shortages and many have been forced to reduce staff at a time when more help is needed rather than less. Testimony from the 50 states will provide full details of the financial problems being faced as they attempt to compensate for declining resources and expanding public demand. In order to document and measure the total state fisheries agency funding needs, the American Fisheries Society has just completed a survey of all state fisheries agency budgets. It is not an encouraging picture, as the table on the following page clearly indicates. The survey shows a pressing need for 162.85 million more dollars per year to adequately manage the nation's recreational fisheries resources. Fueled by inflation, by Federal budget cuts, and growing user demands, the funding need figure has doubled from the $82.8 million reported in 1980. The proposed 1984 budgets of the U.S. Fish and Wildlife Service and the National Marine Fisheries Service will inflict additional hardship on state agencies by closing hatcheries, eliminating anadromous fish grants, terminating reservoir research and closing down the Cooperative Fisheries Research Program.

The $162.85 million needed by the 64 reporting state agencies is 50% above the total funding (all sources) they are now receiving. According to the survey, the funds would be spent for the following purposes:

[Dollar amounts in millions]

Program	Number of agencies	Funds needed	Proportion (percent)
Research, surveys and inventories	64	$29.357	18
Land acquistion (access and hatchery sites, parking, wetland preservation)	44	14.365	9
Construction and development (hatcheries, access areas, artificial impoundments, et cetera)	60	68.656	42
Maintenance (launching areas, pubic use of facilities, hatcheries)	53	15.221	10
Fisheries management	60	33.253	20
Fisheries coordination and administration	28	1.598	1

Mr. Chairman, the need for substantial increases in state fisheries budgets has been clearly, and carefully, documented. H.R. 2163, supplemented by the Federally required state matching, could generate 80 percent of the needed funding. The professional fisheries managers, employed by states, have the skills and the dedication to greatly improve recreational fishing opportunities. The organized fishermen of America have said they are ready to pay the tab. H.R. 2163 is user-pays legislation in the finest tradition. It is fair and equitable to everyone, and will constitute a sound investment in the future of the nation's sport fishery as well as the future of the sport fishing/recreational boating industry.

SURVEY OF STATE FISHERIES AGENCY FUNDING NEEDS—SPRING 1983

[In thousands of dollars]

State	Funding [1]	State	Funding [1]
Alabama (2 agencies)	2,065	Montana	1,750
Alaska	7,601	Nebraska	1,300
Arizona	2,400	Nevada	7,500
Arkansas	1,675	New Hampshire	500
California	7,125	New Jersey (2 agencies)	3,017
Colorado	1,055	New Mexico	1,452
Connecticut	854	New York (2 agencies)	12,082
Delaware	575	North Carolina (2 agencies)	3,977
Florida (2 agencies)	4,410	North Dakota	1,490
Georgia (2 agencies)	2,080	Ohio	2,000
Hawaii	940	Oklahoma	770
Idaho	1,200	Oregon	12,300
Illinois	5,600	Pennsylvania	1,872
Indiana	627	Rhode Island	695
Iowa	561	South Carolina (2 agencies)	1,480
Kansas	2,800	South Dakota	2,525
Kentucky	700	Tennessee	1,475
Louisana (2 agencies)	4,975	Texas	16,556
Maine (2 agencies)	5,750	Utah	5,750
Maryland	615	Vermont	430
Massachusetts (2 agencies)	1,185	Virginia (2 agencies)	3,651
Michigan	1,600	Washington (2 agencies)	16,457
Minnesota	4,150	West Virginia	1,525
Mississippi (2 agencies)	2,000	Wisconsin	2,166
Missouri	2,000	Wyoming	609
		Total	162,850

[1] Additional annual funding required for adequate program.

According to a report by former Sport Fishing Institute Executive Vice President, Dick Stroud, American anglers spent $9.69 billion in 1978 for the multitude of goods and services associated with fishing. In his report Stroud goes on to say, "The values of various recreational fisheries are truly enormous, but are precisely nothing without the maintenance in good condition of the aquatic resource base which makes them possible." Mr. Chairman, the funds generated by H.R. 2163 will assure the protection and enhancement of this priceless aquatic resource base.

In closing my testimony I wish to call the Committee's particular attention to the extensive, broad-based public support for this legislation. As might be expected, it is strongly supported by the 50 states and the territories which share D–J funds. It is backed by every national and local sport fishing organization which we can identify. It is strongly supported by the major recreational boating manufacturers and user-groups. The individuals and agencies who have responsibility for state boating safety are working for passage of H.R. 2163, as are virtually all of the nation's major fishing tackle manufacturers. The nation's leading conservation organizations, such as National Wildlife Federation and National Audubon Society are working for passage, and we have had strong assistance and guidance from Vice President Bush, Secretary Watt and other Administration leaders. We respectfully urge the Ways and Means Committee to report favorably on this bill, and to commend its passage to the full House.

Chairman Rostenkowski. Mr. Davison, you may proceed.

STATEMENT OF DR. ROBERT P. DAVISON, LEGISLATIVE REPRESENTATIVE, FISHERIES AND WILDLIFE DIVISION, NATIONAL WILDLIFE FEDERATION

Dr. Davison. Thank you, Mr. Chairman. I appreciate the opportunity to be here, and I would like to add the support of the National Wildlife Federation for H.R. 2163.

This bill culminates years of hard work and compromise by a wide variety of interests, and it would be a tremendous step toward improving the quality of sport fishing and recreational boating.

The National Wildlife Federation has over 4 million members and supporters throughout the United States. It has 51 affiliated statewide and territorial organizations, including the Illinois Wildlife Federation.

Many of our members are avid anglers and boaters; all are dedicated to the wise use of our Nation's waters and fisheries resources.

As you know, H.R. 2163 would distribute well over $100 million in user fees to the States to fund sport fishery recreational boating programs. In doing so, it largely expands on the proven concept of the Fish and Wildlife Service's D–J program, which has been used so successfully over the last 30 years to restore sport fisheries and to provide public access to waters for anglers and boaters.

In Illinois, the D–J program has built 15 fishing lakes, developed public use facilities at about 50 sites, and provided funds to research and manage sport fisheries in 77 State areas. Throughout Connecticut, the program purchased and developed nearly all boat launching sites, acquired stream banks on important rivers and helped to restore the Atlantic salmon.

In Michigan, the program has developed lakeside marshes, where none existed before, to provide spawning habitat for northern pike. In California, the D–J program has restored kelp beds that provide offshore refuge and spawning areas for a wide variety of fish species. In Florida, over 200 public boat access sites have been developed with D–J funds.

Nationwide, the D–J program since its inception has built or restored 48 fishing lakes and provided more than 3 million angler days annually of recreation. It has provided 3,100 accesses to over 900,000 acres of existing lakes and over 2,500 miles of streams.

Because of these programs and countless other D–J-sponsored efforts, there are now over 50 million Americans, one in every five of us, who spend some time fishing each year. Each of us spends about $20 per day of fishing, according to the 1980 National Survey of Fishing and Hunting. Overall, we American anglers spent about $17 billion in 1980 to go fishing.

Right now, under the D–J program, when we purchase domestic and foreign produced tackle, we help, through the D–J program, to expand the U.S. market for trailers, boats, tackle, and a wide variety of accessories. This tremendous influx of money to the economy by anglers also provides jobs for hundreds of thousands of people.

While the D–J program has been instrumental in the success of our fisheries programs, it also has created problems for our fishery managers. New hatcheries, improved public access, and new and better managed waters have attracted new and more skillful anglers who are making increased use of rapidly evolving technology, such as fish finders, to provide even greater likelihood of success.

These trends toward increasing fishing pressure, when added to inflation and funding reductions in many State and Federal programs, have overwhelmed fishery management agencies. As you just heard, the States, according to the American Fisheries Society survey, reported an urgent need for more than $160 million to meet the needs of the fishery and the angler.

For example, Ohio in 1981 had met only 45 percent of the fishing needs that will be required of it by 1985, according to that State's comprehensive outdoor recreation plan. Their most pressing needs were for expanded access programs on Lake Erie, the Ohio River, and inland lakes and streams.

Nationwide, a 1979 American Fisheries Society survey identified a critical need for almost 64,000 boating-access sites and access site developments.

Mr. Chairman, today you have heard or soon will hear that most people concerned about the status of our sport fisheries and public access programs agree that more funds are needed; that they are needed now; and that the best way to increase funding for these programs is by expanding the present D–J fund.

I can think of no more equitable way of approaching such an expansion than that taken by H.R. 2163, where anglers and recreational boaters derive full and direct benefit from their payment of user fees.

The users are not the only beneficiaries of this bill. The tax assessed on both domestic and foreign produced tackle creates, sustains and expands the marketplace for equipment and services purchased by anglers.

And extending the D–J tax to additional items of tackle and providing new moneys to fishery programs from import duties and the motor boat fuels user fee, will further enhance the fishery and further increase the market. Increased fishing opportunity and increased angler participation creates jobs.

The jobs will not just be found in the shops of the tackle and boat and motor manufacturers and distributors and retailers. In 1980, anglers spent an estimated $162 million on camping equipment, $19 million on binoculars, $3 million on snowshoes and skis, $64 million on special clothing, $48 million on rubber boots and waders, $127 million to repair all that equipment, $18 million on taxidermists' fees, $156 million on magazines. In addition, they spent over $3 billion on food and over $600 million on lodging while they were on fishing trips.

Transportation costs totaled $3 billion. These enormous sums went to support industries and jobs very much related to fishing.

Along these lines, you may find interesting a University of Maryland study that looked at the effect of fisheries management on 5,400 jobs directly associated with the commercial and recreational striped bass fishery in the Northeast. They found that a 2-inch increase in the size limit on striped bass from 12 to 14 inches from better management would increase total employment by 168 jobs.

My point is simply that jobs are affected by how a fishery is managed. In instances where fisheries managers have started new fisheries, such as occurred when salmon were introduced to the Great Lakes, the resulting increased fishing opportunity led to a rapid realization that good fishing creates a demand for services, and that means jobs.

In Illinois alone, $168 million was spent by anglers to enjoy 29 million days of fishing. Much of Illinois' angling opportunity comes as direct or indirect result of D–J-funded fisheries research and management programs on Lake Michigan and elsewhere in Illinois; programs that expand sales opportunity for local merchants as well as fishing for anglers.

In closing, I would just like to say that I believe our country as a whole has a viable sport fishery in large part because of the D–J program. An expanded D–J will help provide for the future of fisheries management in America, for the future of America's recreation-related economy, and for the future of the American angler.

Thank you.

[The prepared statement follows:]

STATEMENT OF DR. ROBERT P. DAVISON OF THE NATIONAL WILDLIFE FEDERATION

Mr. Chairman, I am Dr. Robert P. Davison. Legislative Representative for the National Wildlife Federation's (NWF) Fisheries and Wildlife Division. I welcome this opportunity to express support for H.R. 2163, which will improve the quality of sport fishing and recreational boating throughout America.

The NWF is the world's largest conservation-education organization. We have over 4 million members and supporters throughout the U.S. and 51 affiliated statewide and territorial organizations. Many of our members are avid anglers and boaters. All are dedicated to the wise use of our nation's waters and fisheries resources.

H.R. 2163 would distribute well over $100 million in user fees to the states to (1) manage sport fisheries, (2) provide water access sites for anglers and recreational boaters, and (3) enhance recreational boating safety. The NWF supports this approach to funding state fishery and boating programs because anglers and recreational boaters would derive direct benefit from their payment of user fees.

Anglers have paid a 10 percent excise tax on certain fishing tackle items for over 30 years to support state sport fisheries through the Interior Department's Dingeil-Johnson (D-J) Federal Aid in Sport Fish Restoration program. Our support for this user fee dates back to the late 1930's and early 1940's when the D-J program was first proposed. The program's only major problem has been that receipts from the excise tax have failed to keep pace with the increased pressure on fishery resources and the increased needs of state fishery agencies. H.R. 2163 would correct this problem by broadening the base of aquatic resource users who contribute to the D-J program.

Recreational boaters (including anglers who use power boats), on the other hand, have received comparatively little benefit from the user fee they pay in the form of a 9¢ per gallon tax on motorboat fuels. Of the $45 million in motorboat fuels tax receipts now authorized annually for recreational boating safety and boating access improvement, only $5 million has been appropriated since the Recreational Boating Safety and Facilities Improvement Fund was created in 1980. This failure to return user fees for the benefit of boaters has seriously hindered improvement of state programs to provide water access for trailerable boats and enhance safety.

According to the Outdoor recreation Policy Review Group, federal, state, and local governments are not meeting the growing demand for outdoor recreation and are, in fact, providing less recreational opportunity than they were just a few years ago. Ohio, for example, in 1981 had met only 45 percent of the fishing needs that will be required in 1985, according to that state's Comprehensive Outdoor Recreation Plan. The most pressing of these needs were expanded access programs on lake Erie, inland lakes and rivers, and on the Ohio River. Nationwide, in a 1979 American Fisheries Society survey, state administratiors identified a critical need for 6,395 additional boating access sites and access site developments. The shortage of access sites for recreational boaters also causes safety problems—overcrowding on small bodies of water with access and dangerous exposure to the elements on large bodies of water where access sites are few.

Adequate public access for recreational boaters is but one important component in reducing the rate of boating accidents. Improved education and law enforcement programs are equally needed to meet the intensifying pressure on our boating facilities. For example, despite the marked decrease in the boating fatality rate since the early 1970's (8.3 fatalities reported per 100,000 boats in 1981), the total number of annual boating deaths has remained relatively constant because of the overall increase in the number of people participating in the sport.

The states are hard-pressed to meet this increased need for recreational boating safety efforts. In almost every case, state budgets for these programs have been reduced sharply as a result of inflation and then recession. Moreover, states are increasingly faced with overseeing boater safety on waters of primary federal jurisdiction as well as purely state waters.

Under H.R. 2163, up to $45 million of the motorboat fuels user fee could be appropriated to the states ($30 million) and Coast Guard ($15 million) for education, law enforcement, public access, and other assistance programs to improve recreational boating safety. Additionally, at least 10 percent of the total monies in the newly expanded D-J fund would have to be used to provide access sites and access site developments for motorboat users.

For restoration and management of sport fisheries H.R. 2163 would add to the D-J fund the remainder of the motorboat fuels user fee (about $40 million) and any amount not appropriated for boat safety programs. Other new monies (approximately $30 million) for the D-J program would come from expanding the present 10 percent excise tax on certain sport fishing equipment to include additional items, placing a 3 percent excise tax on electric trolling motors and fish finders, and earmarking present annual import duties on fishing tackle, yachts, and pleasure craft.

The D-J program is unquestionably worthy of this funding expansion. With over three decades of D-J monies, fisheries resource management has blossomed and state agencies have succeeded in bringing fish and anglers together to create a phenomenon of fishing in America:

In Illinois the D-J program has built 14 fishing lakes, developed public use facilities at about 50 sites, and provided funds to research and manage sport fisheries in 77 state areas. (Illinois Chapter, American Fisheries Society, 1981).

Throughout Connecticut the D-J program has purchased and developed nearly all boat launching sites and acquired streambanks on important rivers and streams. D-J funds also have created and enhanced a northern pike fishery and helped in efforts to restore the Atlantic salmon. (Connecticut Department of Environmental Protection, 1981).

In Michigan the D-J program has developed lakeside marshes where none existed before, to provide spawning habitat for northern pike.

Approximately 40 percent of South Carolina's freshwater fisheries budget comes from D-J. (South Carolina Wildlife and Marine Resources Department, 1981).

In California the D-J program has restored off-shore kelp beds that provide refuge and spawning areas for many fish species.

In Florida over 200 public boat access areas have been developed with D-J funds.

Nationwide the D-J program has constructed or restored 348 public fishing lakes, which provide over 3,000,000 fishing days annually, and developed or acquired 3,100 accesses to more than 911,449 acres of existing lakes and 2,597 miles of streams. (U.S. Fish and Wildlife Service, 1983).

The result of these and countless other D-J sponsored efforts is that there are now over 50 million Americans, about one in every five of us, who spend some time fishing each year. And, according to the 1980 National Survey of Fishing and Hunting, each angler spends about $20 per day of fishing. Overall, American anglers spent about $17 billion to go fishing in 1980.

When anglers purchase domestic- and foreign-produced tackle they help, through the D-J program, to expand the U.S. market for tackle, boats, trailers, motors, and other fishing accessories. This tremendous influx of money to the U.S. economy by anglers provides the source, in part or in whole, for hundreds of thousands of jobs, as I will detail later.

But while the D-J program has been instrumental in the success of America's fisheries programs, it also has increased the job of the fisheries manager. New hatcheries, improved public access, and new and better-managed waters have attracted new and more skillful anglers who are making increased use of rapidly evolving technology to provide even greater likelihood of success. These trends when added to inflation and funding reductions in many state and federal programs have simply overwhelmed many fishery management agencies.

State agencies have reported an urgent need for more than $160 million, according to a survey just completed by the American Fisheries Society. And most people involved with funding fisheries programs as well as many leaders in angler support industries agree that the best way to increase fisheries funding is by expanding the present D-J program.

However, some have labeled the present D-J tax as unfair. For example, a few tackle manufacturers claim D-J is hurting their ability to compete in the world's tackle marketplace. The NWF was concerned over the tackle industry's claims and looked into the alleged problems in the D-J tax.

On 26 October 1982, Jay D. Hair, Executive Vice President, NWF, sent a letter to each member of the Board of the American Fishing Tackle Manufacturers Association (AFTMA) to pursue specific concerns identified by this segment of the tackle industry. Dr Hair stated that the "pressing need to expand the D-J funding base, as well as the need to defer tackle manufacturers' tax payments, provide greater support for marine programs, and tighten tax regulations, must be addressed in 1983. . . . Where the proposed legislation does not address AFTMA's concerns, such as in the tightening of tax regulations, I would support either statutory or report language directing IRS [Internal Revenue Service] toward that end." Dr. Hair asked the Board members: "How . . . can we tighten present tax regulations?" We had hoped this letter would form the base of a dialogue between our organizations. Unfortunately, we did not receive a single reply.

H.R. 2163 does resolve some earlier problems in administration of the D-J program. For instance, because wholesalers or retailers delay payment for goods received (often for several months), a 3- to 6-month D-J tax payment deferral is proposed. This will limit the losses on interest and "up front" money only to the costs of producing and marketing tackle.

And new D-J monies are to be split equitably between marine and freshwater fisheries programs. I want to strongly emphasize the need to ensure fair allocation of these funds between marine and freshwater programs. Estimates of the number of freshwater and marine anglers must be as accurate as possible, and I hope some of the first projects funded by new D-J monies go toward angler surveys and the improvement of survey techniques. All anglers buy tackle, so all anglers should realize the benefits of D-J.

In our look into the effects of the D-J tax, it was apparent that the domestic tackle manufacturer can be hurt by import of lower priced foreign products and that the problem is exacerbated in cases where tackle importers illegally evade the D-J tax. However, the D-J tax does not affect the relationship between foreign production costs and domestic production costs. If a foreign producer can build and market a product for less than an American producer, that foreign price advantage remains proportionally constant no matter where the D-J tax is levied in the marketing or sales chain.

Presently, about 80 percent of the rods and 60 percent of the reels sold in the U.S. are imports. Tackle imported by U.S. firms under arrangement with foreign trading or import companies is subject to the D-J tax at point of first sale in the U.S. Some companies may attempt to evade the D-J tax partially by setting the price artificially low at first sale or they may try to evade such payments totally in order to gain an edge over other importers. American tackle manufacturers also might attempt to evade payment of the tax to gain an edge in the marketplace. But American manufacturers and importers are both subject to the same regulations, panalties, and probabilities of discovery of tax evasion. No one legally evades the tax; they just do not pay it.

We believe that something needs to be done about noncompliance with D-J taxes. And, according to the IRS, the best way to ensure federal excise tax compliance is through self-enforcement within an industry. Strong incentives have prompted other industries to become active in ensuring tax compliance. The burden of ensuring 100 percent D-J tax compliance should not rest solely with the federal government. After all, who knows an industry better, the federal government or the industry itself. I believe self-enforcement can work if the industry makes a serious attempt at it.

The D-J taxes assessed on both domestic- and foreign-produced tackle aid the fishery and create, sustain, and expand the marketplace for tackle, boats, and motors. Extending the D-J tax to additional items of tackle and providing additional new monies to fisheries programs from import duties and the motorboat fuels user fee will further enhance the fishery and increase this market. But equally important to America is the effect that increased fishing opportunity (and angler participation) has on employment.

Increased fishing can create jobs. But new jobs will not be found just in the shops of tackle and boat/motor manufacturers, distributors, or retailers. Increased fishing also means jobs in restaurants, gas stations, souvenir shops, hardware stores, clothing shops, motels, grocery stores, accounting firms, campgrounds, department stores, convenience shops, etc.; the list goes on ad infinitum. The $17 billion that anglers spent to go fishing in 1980 moved down through our entire economy and supported a wide diversity of employment.

The effect of fisheries management on jobs directly associated with fishing was detailed in a study conducted at the University of Maryland on the striped bass fishery in the Northeast. In 1980, anglers made 2.17 million fishing trips for striped bass. The fishery (recreational and commercial) was estimated to have provided 5,421 jobs. The study evaluated a proposal to raise the size limit of striped bass from 12 to 14 inches. It was found that a 2-inch increase in size limit would increase total employment by 168 jobs.

Moreover, that estimated employment increase does not include the additional jobs created in industries other than those directly associated with the striped bass fishery or the potential benefits to employment if production of striped bass were to increase due to better management. My point is that jobs are affected by how a fishery is managed.

In instances where fisheries managers have started new fisheries such as occurred when salmon were introduced to the Great Lakes, the resulting increased fishing opportunity has led to a rapid realization that good fishing creates a demand for services, and that means jobs. In Illinois alone $168 million was spent by anglers who enjoyed 29 million days of fishing. Anglers over 16 years of age make up 17 percent of Illinois' population while 32 percent of residents aged 6 to 15 go fishing. Much of Illinois' angling opportunity comes as a direct or indirect result of D–J funded fisheries research and management programs on Lake Michigan and elsewhere in Illinois, which expand sales opportunity for local merchants as well as fishing for the anglers.

Normally, however, sales of sport fishing equipment and supplies for anglers constitutes only a proportion of most industry or retail businesses. The 1980 Hunting and Fishing Survey estimated that anglers spent $162 million on camping equipment, $19 million on binoculars, $3 million on snowshoes and skis, $64 million on special clothing, $48 million on rubber boots and waders, $127 million to repair fishing-related equipment, $18 million on taxidermists' fees, and $156 million on magazines. In addition, anglers spent over $3 billion on food and $665 million on lodging while on fishing trips. Transportation costs to go fishing totaled $3 billion. These enormous sums of money went to support industries and jobs that are related to fishing, although they are not usually thought to be.

Of all outdoor recreational activities in the U.S., fishing ranks third in popularity, exceeded only by swimming and bicycling. Nationwide, spending on leisure activities was $244 billion in 1981, accounting for 1 in every 15 jobs in America (Outdoor Recreation Policy Review Group Report, 1983).

The number of jobs in the U.S. directly supported by anglers is unknown. But at an average worker salary of $15,000 annually, my guess is that a lot of American workers were employed in 1980 because our country maintains a viable sport fishery. And I believe our country has a viable sport fishery in large part because of the D–J program. Expanded D–J will help to provide for the future of fisheries management in America, for the future of America's recreation-related economy, and for the future of the American angler.

Mr. **Rangel** [presiding]. Mr. Richard Schwartz.

STATEMENT OF RICHARD SCHWARTZ, EXECUTIVE DIRECTOR, BOAT OWNERS ASSOCIATION OF THE UNITED STATES

Mr. **Schwartz**. Mr. Chairman and members of the committee, thus far this morning the emphasis has been on fishing and the D–J fund. We support that emphasis. However, I am introducing the boating side.

I am Richard Schwartz, executive director of the Boat Owners Association of the United States, or Boat/U.S. We are the largest national organization of individual boatowners in the country.

I want you to know that this Nation's 12 million boaters appreciate the instrumental role the leadership of this committee played 3 years ago when it favorably reported out what was to become the Recreational Boating Safety and Facilities Improvement Act of 1980, Public Law 96-451.

Your successful effort to bring some further equity to the fate of boating's fuel taxes by increasing the authorization of the trust fund from $20 to $45 million following the addition of the 5-cent-per-gallon tax on fuel last December has also been applauded.

These past efforts will be seriously jeopardized, however, unless legislation is enacted in this session of Congress. The basic authority to make expenditures from the trust fund established by the 1980 act expires March 31, 1984. H.R. 2163 would extend this period until March 31, 1989.

And, although the actual funding of the 1980 act has only lately been forthcoming, it is important to note that this committee's past initiatives have given the administration time to positively reassess the merits of the program first established by the Federal Boat Safety Act of 1971.

In fact, the administration has undergone quite a change of opinion over the past few months and has already recommended full funding of the boating safety program for fiscal year 1984.

Perhaps more importantly, Congress decisive action in 1980 and 1982 provided the States with enough incentive to retain their boating safety programs in sufficient form so that when the funds are finally distributed, they will be in a position to fully supplement or even take over many of the duties performed by the U.S. Coast Guard. These goals will be accomplished, I must emphasize, solely with the fuel taxes paid by boatowners.

Mr. Chairman, H.R. 2163 is a very straightforward bill. It is designed to put the taxes paid by boaters and sportfishermen to work for some 60 million Americans who enjoy recreational boating and sportfishing. It is very similar in concept to the Highway Revenue Act of 1956 and the Airport and Airway Revenue Act of 1970 in that specialized taxes—and not general Treasury funds—will be used to support State programs dedicated to improving boating safety and enhancing sportfishing.

One of the principal attributes of this legislation is that it gives the States the option to foster boating safety by allowing those closest to the problem—and not some overly burdened Federal Agency—to choose between education, law enforcement, on-the-water assistance or providing safe access. This is the proper and most effective approach the Federal Government can take.

The States can choose to focus on safety and law enforcement, as many have done during the past decade in which the boating fatality rate was cut in half, or they can focus on providing safe public access to thousands of miles of this Nation's shoreline which are either inaccessible because of a lack of public or private facilities or overly congested and unsafe because launching ramps, moorage, or harbors of safe refuge are so few and far between.

This legislation will also directly help the Coast Guard by providing that agency $15 million per year in boating's taxes to help pay for a number of important boating programs which can only be performed by the Federal Government.

We are particularly pleased that the authorizing committee chose to single out the Coast Guard Auxiliary—an organization of

40,000 volunteer boatowners—for a share of this $15 million. The Auxiliary, for example, performs some 25 percent of the Coast Guard's search and rescue missions.

As you know, Mr. Chairman, H.R. 2163 was reported out of the Merchant Marine and Fisheries Committee by a unanimous vote. It is supported by a very large coalition of boating, sportfishing and conservation organizations.

We are not asking for any special privilege or any special treatment. All we are asking for is some equity in the treatment of our tax dollars and for you to reaffirm policy choices already made by this committee and the Congress in dedicating these taxes to benefit those who pay them.

On behalf of our 125,000 members, Mr. Chairman, I applaud you for your willingness to schedule a timely hearing on this bill and your interest in fostering an equitable solution to this decade-long problem.

I urge you and the members of this committee to approve H.R. 2163 as soon as possible.

Thank you.

Mr. RANGEL. Thank you.

Mr. Al Simon.

STATEMENT OF AL SIMON, EXECUTIVE SECRETARY, NATIONAL BOATING FEDERATION

Mr. SIMON. Mr. Chairman and members of the committee, my name is Al Simon. I am testifying in my capacity as executive secretary of the National Boating Federation, which is a national nonprofit alliance of national, State, and regional associations of recreational boatmen. Our 26 member organizations represent 2 million boatmen, or nearly one-quarter of the Nation's total registered boatowners, in 47 States and the District of Columbia. We have affiliated boat clubs in every State with a representative on this committee. A list of our members is attached to my written testimony.

Mr. SIMON. The National Boating Federation at its annual meeting April 23 voted unanimously to support H.R. 2163, the bill before you today. We as perhaps no other organization of boating or fishing interests have a big stake in this legislation. Our members typify the recreational boatmen whose Federal fuel tax dollars are the heart of the matter. More than that, the idea of harnessing motorboat fuel tax revenues for boating purposes, as H.R. 2163 proposes, originated with the National Boating Federation.

History will show that 10 years ago we were the first to recommend allowing the States to share in Federal motorboat fuel tax revenues exclusively for boating facilities development. This was an outgrowth of our dissatisfaction with the way motorboat fuel tax channeled into the land and water conservation Fund was allowed to be spent on all kinds of nonboating outdoor recreation projects. Later, as it became evident to us that there was little sympathy in Government for helping to fund boating facilities because of an erroneous assumption that boating's needs will be taken care of by local governments and private investors, we recommended that the money be spent on recreational boating law enforcement and education too, anything so long as it was a legitimate boating purpose.

Unfortunately, for a long time after Congress authorized using part of our motorboat fuel tax for boating safety and facilities, boatmen were still deprived of the benefit of it for lack of appropriations. Then last year when boating was under threat of new taxes to help support the Coast Guard and sportfishing, the National Boating Federation let Congress know of boatmen's willingness to share existing taxes, namely the motorboat fuel tax, for these purposes too. It is not altruism or magnanimity that has brought us to this point, but the pragmatic realization that recreational boating needs all the friends and allies it can get.

We would like to thank the architects and sponsors of H.R. 2163 for giving us a bill that has such broad-based appeal.

For years the boating public has been paying hundreds of millions of dollars in motorboat fuel tax and has gotten very little in return. A large part of the problem is that the average boatman is perceived as a wealthy yachtowner. In fact, the average boatowner earns less than $25,000 a year, supports a family of four, and has a small trailerable boat less than 16 feet in length which is the family's main source of recreation. This average boatman deserves a return for the tax money which he has so long paid to the Federal Government, particularly if it will spare him new taxes and user fees which he can ill afford in today's uncertain economy.

In the final analysis, we feel that H.R. 2163 will not only make boating safer and more enjoyable, but help to keep it affordable. Therefore, we ask that this committee favorably report the bill.

[The information follows:]

NBF MEMBER ORGANIZATIONS

American Boating Club; American Water Ski Association; American Waterway Operators, Inc., California Marine Parks & Harbors Association; Chesapeake Bay Yacht Clubs Association; Chesapeake Bay Yacht Racing Association; Federated Boatmen of New York, Inc.; Florida Gulf Coast Boaters Association, Inc.; Florida Council of Yacht Clubs; Great Lakes Cruising Club; Interclub Boating Association of Washington; Inter-Lake Yachting Association; International Order of the Blue Gavel; Lake Michigan Yachting Association, Inc.

Massachusetts Bay Yacht Clubs Association; National Club Association; Northwestern Boating Council; Oregon Federation of Boaters; Outboard Boating Club of America; Pacific Coast Yachting Association; Pennsylvania Boating Association; Potomac River Yacht Clubs Association; Recreational Boaters of California; U.S. Power Squadrons; United States Yacht Racing Union; Wisconsin Boating Association.

Mr. RANGEL. Thank you.

Do any members care to inquire at this time?

Mr. DUNCAN. I would like to thank the panel. It has been very thorough. They have been so good I do not have any questions.

Mr. JENKINS. Mr. Chairman, I want to thank the panel for their testimony. I do have one question. As I mentioned earlier, I offered the amendment to raise the tax allocation to $45 million and I have been concerned that those funds continue to build up but are not appropriated for the purposes intended. As I understand the provisions of this bill, there is a permanent appropriation to the States so that this will not create another fund that is unused, is that your understanding?

Mr. SULLIVAN. Mr. Chairman, the excise taxes would still be administered by a Federal agency, but 94 percent of them would then go to the States for their boating and fish restoration projects.

Mr. JENKINS. We are not going to get into a situation where additional taxes are going into the fund but are unappropriated?

Mr. SULLIVAN. Absolutely not.

Mr. JENKINS. The people who pay those taxes—whether it be in fuel tax by the boaters or fishermen in their equipment—should be assured that all of that money is put back into the area for which it was designed. I am going to support the bill, but I want to make sure that all of that money goes back to the States or into boating safety provisions. I want to thank each of you for your testimony and for your support through the years. Thank you, Mr. Chairman.

Mr. RANGEL. Are there any further questions? On behalf of the committee, we thank each and every one of you for the contribution you have made to this committee over the years.

The next panel, Sport Fishing Institute, Norville Prosser; Bass Anglers Sportsmen Society, Bob Barker, conservation director; American Fishing Tackle Manufacturers Association, Thomas Schedler, executive vice-president, accompanied by Darrell Lowrance, president; National Marine Manufacturers Association, Ron Stone, director of government relations; and Zebco Division of Brunswick Corp., Gene Howard, vice president planning and administration.

As the Chair pointed out, we are operating under the 5-minute rule, but your entire testimony will be placed in the record. We will ask the witnesses to proceed in the order in which they were called. We will start with Mr. Prosser of the Sport Fishing Institute.

Mr. JONES. Mr. Chairman, before you begin I would like to welcome two constituents of mine who are members of this panel, Mr. Darrell Lowrance, with the American Fishing Tackle Manufacturers Association, and Mr. Gene Howard of Zebco. They are both constituents, good citizens, and very active in promoting fishing and conservation. I want to welcome them to the Ways and Means Committee and welcome this panel.

Mr. RANGEL. Mr. Prosser.

STATEMENT OF NORVILLE S. PROSSER, EXECUTIVE SECRETARY, SPORT FISHING INSTITUTE

Mr. PROSSER. Thank you, Mr. Chairman, on behalf of the Sport Fishing Institute, for the opportunity to appear before you and other members of the committee today to consider H.R. 2163. I am Norville Prosser, the Sport Fishing Institute's executive secretary.

Mr. Chairman, recreational fishing supports a large industry which contributes significantly to the national economy. Recreational fishermen spent $17.3 billion on fishery-related goods and services in 1980. That is according to the 1980 national survey of fishing, hunting, and wildlife associated recreation. Recreational fishing also provides benefits related to a healthful family oriented recreational experience.

As with other segments of the U.S. business community, the recreational fishing industry requires a steady source of raw material.

In this case, a healthy and accessible fishery resource is an absolutely essential raw material. The protection and expansion of recreational fishery resources requires capital investment. In the 1950's through the early 1970's the Federal Government invested huge sums of money in water development projects, artificial reservoirs created for purposes of flood control, hydropower development, and other purposes, but a significant and direct incidental benefit of the construction program was to provide greatly expanded recreational and fishery opportunities. The Clean Water Act also provided through cleaning up grossly polluted waters additional benefits for recreational fishermen.

However, now the rush to create Federal water development projects has slowed, and new fishing waters are not coming on line as they were in the past. That requires the fishery managers to greatly improve the management of the existing water bodies. Very recently in February 1983 the outdoor recreation policy review group presented findings from a careful review of issues and problems concerning outdoor recreation. That group concluded that reduced government funding in the area of outdoor recreation is detrimental to the expansion of recreational opportunities in America.

There have been of course reductions in government involvement in other areas of the U.S. economy which are attractive to private sector investment. However, fish and wildlife are public trust resources and as such do not accommodate private sector investment. While continuing to increase each year, the rate of increase in the growth of recreational fishing participation slowed to less than one-third of 1 percent annually between 1975 and 1980. This compares to an average annual increase of 5 percent per year for the previous 5-year period and a 3.4-percent growth rate for the period 1965 through 1970. It is obvious that this decline in the growth rate of recreational fishing occurred at the same time of reduced capital investment in recreational fishing opportunities. It is imperative that we provide additional sources of funding for the development and protection of our Nation's fishery resources.

The State fish and wildlife agencies have sought to increase revenues through State license fees, and while they have been quite successful, in fact the total revenues generated have more than doubled and the average cost per angler has nearly doubled from 19 percent in 1981, the ravages of inflation have reduced these funds so that purchasing power has remained virtually static for the same 11-year period. At the same time fishing pressure within the State boundaries has increased by some 20 percent. What more equitable system could be devised of providing the much-needed additional funding than by distributing moneys contributed by the public sector that utilizes the resource in question.

This very philosophy constitutes the sound framework of H.R. 2163. The legislation incorporates user pay fees of several types into the eminently successful Dingell-Johnson program and to boating safety programs, fees which are collected from the users of the resources which would ultimately be enhanced. Badly needed new revenues will become available to State fishery agencies with passage of this legislation, and the Sport Fishing Institute endorses H.R. 2163 and requests this committee to report the legislation favorably. The institute strongly supports concurrent legislative initiatives to resolve the current problems and the inequities in the application of the D-J tax as was mentioned to the committee by Congressmen Breaux and Forsythe.

Thank you, Mr. Chairman.

Mr. RANGEL. Thank you, Mr. Prosser.

[The prepared statement follows:]

STATEMENT OF THE SPORT FISHING INSTITUTE

SUMMARY

Recreational fishing supports a large industry which contributes significantly to the national economy. Recreational fishermen spent $17.3 billion on fishing-related activities in 1980, according to the 1980 National Survey of Fishing, Hunting and Wildlife-Associated Recreation. Capital investments to create improved fishing opportunities return handsome dividends far beyond the amount of capital invested, and also provide benefits related to a healthful, family-oriented, recreational experience.

As with other segments of the U.S. business community, the recreational fishing industry requires a steady source of raw materials. In this case, a healthy and accessible fishery resource is an absolutely necessary raw material. The protection and expansion of recreational fishery resources requires capital investment. In the 1950's through the early 1970's, the federal government invested huge sums of money in water development projects for flood control, hydropower, and other purposes. These impoundments provided an incidental benefit by greatly expanding the fishery resource. Now the rush to create federal water development projects has slowed and new fishing waters are not coming on line. We must greatly improve management of these existing water bodies.

Recently (February 1983), the Outdoor Recreation Policy Review Group presented findings from a careful review of issues and problems concerning outdoor recreation and concluded that reduced government funding in the area of outdoor recreation is detrimental to expansion of recreational opportunities in America. There have been, of course, reductions in government involvement in other areas of the United States economy which are attractive to private sector investment. However, fish and wildlife are public trust resources and do not accommodate private sector investment.

While continuing to increase each year, the rate of increase in the growth of recreational fishing participation slowed to less than one-third of one percent annually between 1975 and 1980. This compares to an average annual increase of 5 percent for the previous 5-year period and 3.4 percent for the period 1965-1970. This decline in the growth has occurred at the same time of reduced capital investment in the resource.

It is imperative to provide additional sources of funding for the development and protection of our nation's fishery resources. The state fish and wildlife agencies have sought to increase revenues through state license fees, and while they have been quite successful (the total revenues generated have more than doubled and the average cost per angler has nearly doubled from 1970 to 1981) the ravages of inflation have reduced these funds so that purchasing power has remained virtually static over the same period, while fishing pressure increased by 20 percent.

What more equitable system could be devised of providing the much needed additional funding than by distributing monies contributed by the public sector that utilizes the resource in question? This philosophy constitutes the sound framework of H.R. 2163. The legislation incorporates user-pay fees of several types into the imminently successful Dingell-Johnson program and to boating safety programs, fees which are collected from the user of the resources to be enhanced.

Vitally needed new revenues will become available to state fishery agencies with passage of this legislation and the Sport Fishing Institute endorses H.R. 2163 and request this Committee to report the legislation favorably. The Institute strongly supports concurrent legislative initiatives to resolve the current problems and inequities in the application of the D. J. tax.

STATEMENT

Thank you, Mr. Chairman, on behalf of the Sport Fishing Institute (SFI) for the opportunity to appear before you and the other members of the Subcommittee considering H.R. 2163 amending the Federal Boat Safety Act of 1971 (Title I) and the

Sport Fish Restoration Program (Title II). Mr. Chairman, this statement has also been endorsed by the Wildlife Management Institute.

I am Norville S. Prosser, the Sport Fishing Institute's Executive Secretary. The Institute, which is located at 608 13th Street, N.W., Washington, D.C. 20005, is a non-profit, tax-exempt, broadly-based fishery conservation organization, staffed entirely by fisheries scientists, devoted to the protection, enhancement, and wise utilization of America's freshwater and marine aquatic resources. Our principal objective, by means of a program of ecological research, conservation education and professional service, is to help develop and promote optimum opportunity for Americans to engage in healthful and rewarding recreational fishing. Our financial support comes from manufacturers of fishing equipment and accessories and from many anglers and other concerned citizens.

Mr. Chairman, the relative well-being of our Nation's aquatic resources reflect in no small measure the general quality of American life. An abundance of recreational fishery resources supports a major industry which contributes to this nation's economy. I of course refer to the recreational fishing industry. Recreational fishermen spent $17.3 billion on fishing-related activities in 1980, according to the 1980 National Survey of Fishing, Hunting, and Wildlife-Associated Recreation, which was conducted jointly by the U.S. Fish and Wildlife Service and the Bureau of the Census. Not only does the recreational fishery contribute significantly to the economy through expenditures for a host of goods and services, but fishing also provides direct benefits of healthful outdoor, family-oriented recreation; these intangible benefits, albeit of great value, are difficult to assess in terms of economic worth.

As with other segments of the U.S. business community, the large, complex industry associated with recreational angling requires a steady source of raw materials, in this case, the fishery resource.

The improvement of the fishery resource, on which greater demands are being made by a growing army of anglers, will come about by increased capital expenditures for intensive fishery management. Applying modern fishery management techniques is expensive, although cost effective.

In the 1950's through the early 1970's, the federal government invested huge sums of money in water development projects (flood control, hydropower, etc.) that resulted in greatly expanding the fishery resource base. Those investments created millions of acres of new fishing waters. This action resulted in more and better fishing opportunities. However, the rush to create federal water development projects has slowed considerably in the last decade. Hence, new fishing waters (and opportunities therefrom) are not coming on line. The Clean Water Act also contributed substantially to increased fishing opportunities by cleaning up grossly polluted waters.

The fish and wildlife resources of this nation are public trust resources and, as such, the stewardship for these resources resides with the federal and state governments. In February 1983 the Outdoor Recreation Policy Review Group presented findings from a careful review of issues and problems concerning outdoor recreation that have occurred since the historic Outdoor Recreation Resources Review Commission (ORRRC) report was published in 1962. That report clearly recognized that budget cuts at all levels of governments have killed the momentum that led to the expansion of recreational opportunities in America. In part, this is a reflection of the current administration's thrust to reduce government involvement in areas attractive to private sector investment. However, due to the public trust aspect of these natural resources, there is no latitude for significant private investor involvement. Therefore, as pointed out by the ORRRC review, the consequences are that as a nation we are not meeting our commitment for the systematic development of outdoor recreation.

The reduction in capital investment is clearly reflected in the statistics on angling participation. While the number of sport fishermen in the United States continues to increase each year. The increase in the number of anglers slowed to an annual growth rate of less than 1/3 of one percent per year between 1975 and 1980 according to the 1980 Survey of Fishing, Hunting and Wildlife-Associated Recreation. This compares to an average annual increase of 5 percent per year for the previous 5-year period 1970–1975 and 3.4 percent for the period 1965–1970.

The National Survey figures are corroborated by state fishing license sale figures compiled by the U.S. Fish and Wildlife Service for purposes of allocating Dingell-Johnson monies. These data show an increase in the number of licenses recreational anglers in the United States of slightly over one-half of one percent per year since 1975, compared to an average annual increase of over 3.4 percent for the previous 10-year period (1964–1974).

The state fish and wildlife agencies have sought to increase revenues through license fees. Through the decade of the sixties, fishing license revenues kept pace with the rapid increase in angling participation that occurred then. While the number of licenses fishermen increased at an annual rate of 2.7 percent from 1960 through 1969, total license revenues increased at an annual rate of 7.3 percent—or some 5.6 percent increase adjusted to reflect CPI (Consumer Price Index) values.

However, accelerating inflation experienced in the 1970's and continuing through 1981 severely eroded the purchasing power provided by license sales. In fact, although the state fish and game agencies made heroic efforts to increase fishing license revenues (the total revenues generated have more than doubled and the average cost per angler has nearly doubled from 1970 through 1981), the total purchasing power provided by licenses revenues in 1981 fell far short of meeting even minimal operational costs of most fisheries agencies. Specifically, although the number of licenses anglers increased by nearly 20 percent between 1970 and 1981 (from 24,434,680 licensed anglers in 1970 to 29,277,241 in 1981), when adjusted to the CPI, license revenue remained virtually static over this same time (from $78,129,109 in 1970 to $78,173,595 in 1981).

Based on a recent survey conducted by the Sport Fishing Institute, efforts to obtain additional funding within each state by the appropriate state wildlife agency continues. Thirty-three states currently are seeking authority to raise additional within-state revenue. The bulk of the remaining states are not seeking increases because they received some type of additional revenues during their last respective legislative sessions.

This resistance to raise fees withing state legislatures, combined with a trend for those legislatures to bestow free or reduced-price fishing license privileges to a wide array of recipients as a social benefit, without compensating the state fishery departments, have created financial hardships for agencies. Therefore, fishing license fees as a sole revenue source is an inequitable and untimely way of financing recreational fishery programs. Until those deficiencies are resolved, fishery agencies will have to look, at least in part, to other sources, such as D-J, to provide increased income to finance their programs.

When this funding dilemma is viewed in the context of the constant pressure by the Reagan Administration to eliminate federal fisheries programs which provide cooperative assistance to the states, such as fish hatcheries, fishery research facilities, fishery assistance offices, anadromous fishery restoration and a host of other fishery programs, the pressures being brought to bear upon state fishery administrators to maintain fishery programs is intolerable.

It is absolutely essential that significant additional sources of supplemental funding by provided for the hard-pressed state fishery agencies. What more equitable system of funding can be fashioned than a user pay system which allocates collected revenues back into programs which restore and enhance the resource upon which the paying group depends? The Sport Fishing Institute believes that the language embodied in H.R. 2163 provides a reasonable and equitable solution to the funding question.

The legislation is a carefully written compromise which accommodates many of the interests of the boating and recreational fishing industries. The goal of the legislation is to distribute user-fees to enhance resources required by an industry in great need of assistance.

Is has been estimated that more than 90 percent of all recreational boats are used for sport fishery purposes, at least some of the time. It is fair and equitable to use marine fuel tax paid by the users of recreational boats and apply the revenues to boating safety, facilities and fishery restoration programs as specified in H.R. 2163.

Similarly, the import duties collected on items of fishing tackle yachts and pleasure craft, imported items generally used to utilize the nation's fishery resources, should be allocated to restore and protect those resources as specified in H.R. 2163. There is precedent in the Salton-stall-Kennedy Act for using import duties to assist an impacted industry. In that case, duties collected on imported fish products are used to develop programs for the United States fishery industry.

Mr. Chairman, vitally-needed new revenues will become available to state fishery agencies with the passage of this legislation and the Sport Fishing Institute endorses H.R. 2163 and request that this Committee report it favorably. The Institute strongly supports concurrent legislative initiatives to resolve the problems and inequities occurring in the application of the D-J tax.

Mr. RANGEL. Mr. Barker.

STATEMENT OF BOB BARKER, CONSERVATION DIRECTOR, BASS ANGLERS SPORTSMEN SOCIETY

Mr. **Barker**. Mr. Chairman, members of the committee, my name is Bob Barker, and I am conservation director of the Bass Anglers Sportsmen Society. I come before the committee on behalf of our 400,000 members nationwide in support of H.R. 2163, the sport fishing and boating enhancement bill.

Virtually all States need additional funds to fulfill their responsibilities and to meet public expectations. In fact, the results of a 1982 survey of the State fishery agencies conducted by the American Fishery Society documented a need for an additional $134 million to meet their management responsibilities. Licensing and revenues have not kept pace with inflation. The recent Federal budget cuts, which closed hatcheries, reduced fishery restoration and research, and curtailed habitat protection efforts have greatly compounded the funding shortfall of the State fisheries agencies nationwide. We feel that the bill offers an equitable means of meeting these funding needs.

For example, approximately one-half of the Federal motorboat fuels tax would be apportioned to the States through the Department of Transportation for water resource education, law enforcement, public access, and boating safety programs. The balance would also be apportioned to the States through the Department of the Interior, to manage marine and fresh water sport fisheries and to provide public access to those resources. This portion of the D–J program is currently funded by a 10-percent excise tax on certain fishing tackle items. H.R. 2163 would extend this 10-percent excise tax to certain other sportfishing equipment and place a 3-percent excise tax on electric trolling motors and fish finders. Additionally, the present annual import duties on fishing tackle, yachts, and pleasure craft would be paid into the D–J fund to provide additional operating moneys for State sport fisheries and management.

Since 1952 the D–J program has purchased, developed, and maintained over 3,600 public access sites. However, State administrators have identified a critical need for nearly 6,400 additional access sites and access site developments. The shortage of access sites for recreational boaters causes safety problems, overcrowding on small bodies of water with access, and dangerous exposure to the elements on larger bodies of water where access sites are few and far between.

Mr. Chairman, H.R. 2163 enjoys the support of a wide variety of organizations that represent the 54 million anglers and the 60 million boaters who pay the excise taxes on sportfishing equipment and motorboat fuel. The supporters include major fisheries and other conservation organizations, boating associations and manufacturers, and many fishing tackle manufacturers. These organizations recognize that H.R. 2163 is the most equitable way to meet severe funding shortfalls for State sport fisheries and boating programs. All States will receive a fair share to benefit all users. On behalf of the fishing and boating interests across the country I urge your approval of H.R. 2163. Thank you.

Mr. **Rangel**. Thank you.

Mr. Schedler.

STATEMENT OF THOMAS R. SCHEDLER, EXECUTIVE VICE PRESIDENT, AMERICAN FISHING TACKLE MANUFACTURERS ASSOCIATION, ACCOMPANIED BY DARRELL LOWRANCE, PRESIDENT

Mr. SCHEDLER. Thank you, Mr. Chairman.

I am Thomas Schedler, the executive vice president of the American Fishing Tackle Manufacturers Association, which is a national trade association located in Arlington Heights, Ill. We represent some 400 manufacturers of fishing tackle and related products, and I might say that we are the major trade association, the only trade association representing the recreational fishing industry. I am joined today by the association's president and president of Lowrance Electronics, Mr. Darrell Lowrance, who will not only be available to respond to any questions, but would also like to make a few brief comments at the conclusion of my testimony in response to this very important issue to the fishing tackle industry. Also with your permission I would like to summarize my prepared statement, which I submitted to the committee ahead of time.

Mr. RANGEL. Without objection.

Mr. SCHEDLER. To begin with, I would like to emphasize several key points. AFTMA has always been and continues to be in support of the Dingell-Johnson program. Further, we do recognize the need for increased funding for the D-J program. We concur with many of our colleagues in the recreational fishing community that by and large the majority of the products that have been previously funded through the D-J program have been beneficial to the consumer and beneficial and important to the fishing tackle industry, and it is with this knowledge that we are here today to discuss the opportunities available through H.R. 2163 and some of the problem areas for the fishing tackle industry that this bill presents. In fact, we are here to testify in support of H.R. 2163 except for one provision, and I think it is safe to say that logic would dictate because of the importance of a healthy resource to the fishing tackle industry that if we did not have problems with the provision that I am about to discuss with you, that we would strongly support H.R. 2163 in total. But there are some problems that need to be addressed. The position also that I bring to you today is one established by our board of directors and approved by the majority of the members of the American Fishing Tackle Manufacturers Association.

The only provision that AFTMA cannot support in its present form is the one calling for expansion of the 10-percent excise tax to include all so-called fishing tackle products, and the 3-percent tax on electric trolling motors and certain depth finders, which combined amount to a $10 million increase in the fund. This portion of the legislation does have substantial deficiencies in it which will cause serious problems to our members. Many of these difficulties we previously have brought to the attention of the members of the Merchant Marine and Fisheries Committee during their hearing this past March.

I would like to elaborate on several of these difficulties. One that has been discussed somewhat already today, has to do with the advantages that foreign manufacturers have over domestic manufacturers as a result of the D-J tax, and it is based on the definition and interpretation of what constitutes a first sale. Based upon the current regulations, domestic manufacturers making a product compared with a foreign manufacturer making a like product, the foreign manufacturer will realize a distinct competitive advantage based upon the way the D-J tax is currently applied. If the same amount of tax had to be paid by the two firms, not only would competition be equalized, but more importantly, the fund itself, the D-J fund itself, would be increased by some $15 million to $20 million annually.

Another result of this one difficulty is that many U.S. firms are forced to relocate their manufacturing operations overseas. Labor costs are less over there, and they can produce a product for a lower amount, thereby paying a lower excise tax. The result of this is that jobs are going overseas. Companies have had to close their doors, restrict their operations, or if they want to stay in business move their operations overseas. This is affecting jobs in this country. We have been working with the staffs of certain members of both the House Ways and Means Committee and the Merchant Marine and Fisheries Committee to try to resolve this deficiency adequately and fairly. That is one problem.

Other problems have to do with the fact that there is not adequate enforcement in the program by the IRS, thereby enabling some firms who should be paying the tax, to escape from paying the tax. This gives the honest manufacturers a competitive disadvantage with those firms that are disregarding their obligations.

There is also nonuniform interpretation of the regulations by the IRS. Our members have had to pay thousands of dollars in legal fees to try to address this situation, and evidence on this problem was previously provided to the House Merchant Marine Committee members.

One other reason that we oppose this provision is that there is a distinct possibility that the tax would be covering products which are not solely used for fishing. The additional products are in many instances very minor, very hard to define, and again this was addressed earlier this morning.

I assure you that AFTMA is vitally interested in the resolution of this complex issue. It was a self-imposed tax back in 1952. We have tried to come up with solutions that are fair and equitable to all concerned. We have come up with a flat-rate tax on certain fishing tackle products, increasing State fishing license fees, establishment of a national fishing stamp, and even collection of the tax at retail level. All of these have been found to be inadequate or impractical or impossible for various reasons. So we must, at this point, regrettably oppose H.R. 2163 in its current form.

I say regrettably oppose, because the bill does contain a number of excellent provisions which we could support, the provisions that could provide as much as $50 million to $60 million to the D-J fund plus the very important deferral provision which is of great importance to our industry and the passage of which is vital to the financial health of our members.

Let me conclude by saying this—that if these deficiencies I have identified can be resolved, AFTMA would be favorably inclined to consider the inclusion of additional fishing tackle products to be covered by the D-J excise tax. In that interim period however, in an effort to work in harmony with those conservation groups and others who have been in favor of *H.R.* 2163, and in an effort to get this legislation enacted so that the resource can receive some additional funds, we would be willing to include fishing lines as a new product that would be subject to the 10-percent excise tax. We hope that then H.R. 2163 could be supported in its entirety so that the resource can benefit from the prompt passage of the bill.

Thank you for your attention and your interest in the problems that H.R. 2163 provides for the fishing tackle industry.

[The prepared statement follows:]

STATEMENT OF THOMAS R. SCHEDLER, EXECUTIVE VICE PRESIDENT OF THE AMERICAN FISHING TACKLE MANUFACTURERS ASSOCIATION

Mr. Chairman, my name is Thomas R. Schedler and I am Executive Vice President of the American Fishing Tackle Manufacturers Association (AFTMA) which is a national trade association headquartered in Arlington Heights, Illinois, representing some 400 manufacturers of fishing tackle and related equipment. The sales volume of our membership represents over 90 percent of the fishing tackle sold in the United States and of our total membership, 97 percent of our members may be classified as being small businesses.

Before commenting specifically on the provisions contained in H.R. 2163, I would first like to reiterate the position of the American Fishing Tackle Manufacturers Association pertaining to the Dingell-Johnson (D-J) Program by emphasizing the fact that we are, and always have been, in support of this Program. Further, I wish to restate for the record that we do recognize the need for increased funding for D-J and we are sympathetic to many of the attempts that have been made, and the efforts that have taken place, to find additional sources of revenues, some of which are embodied in this bill, for the resource through the Dingell-Johnson Program.

We concur with many of our colleagues in the recreational fishing community that, by and large, the projects that have been able to be accomplished in the states to improve freshwater fishing as a result of D-J funding, have been most beneficial to the consumer and vitally important to the fishing tackle industry.

It is with this in mind, our recognition that there must be a healthy resource available if there is to be an increasing demand for sport fishing and for sport fishing equipment, that we testify today in support of all but one of the provisions contained in H.R. 2163.

The only provision AFTMA cannot support is the one calling for an expansion of the 10 percent excise tax to include all so-called fishing tackle products, and the imposition of a 3 percent tax on electric trolling motors and certain fish locators. This portion of the legislation has substantial deficiencies in it which, if enacted, will cause serious problems for fishing tackle manufacturers who have the responsibility for collecting and paying this excise tax. We have previously called many of these problem areas to the attention of the House Merchant Marine and Fisheries Committee.

Permit me now to elaborate on one of the more serious problems as it relates to the existing application of the excise tax to domestically manufactured products versus those products that are imported. Based upon the definition and interpretation of what constitutes a "first sale," many importers are able to pay their excise tax at a level which equates to only about half of the tax liability that a domestic manufacturer has on a similar product. If the regulations governing this tax obligation were such that all manufacturers, be they domestic or foreign, had to pay the same amount of tax on a like product, not only would competition be equalized, but more precisely, and to the point of today's hearing, using the government's own import statistics, the Dingell-Johnson Fund would be increased, based upon current price levels, by some $15–20 million annually.

Another serious result of this one inequity is that domestic manufacturers are shifting all or a portion of their manufacturing operations from the United States to overseas countries, such as those located in the Orient or in Central America. To illustrate, we know that today, almost all fishing rods and reels are manufactured outside of the United States. One of the prime reasons for this shift in the manufacturing base is pure economics. Because of labor costs, and the fishing tackle industry is very labor-intensive, the base cost of a rod or reel, for example, is considerably less if manufactured in a foreign country as compared with what it costs to manufacture it in the United States. Since the Dingell-Johnson excise tax is based on the "first sale" price, and with the lower production costs for foreign goods, that initial price is lower than it would be for a similar product manufactured in the U.S. and, consequently, the excise tax liability is also less. This serves as an incentive for companies to relocate their plants in foreign locales.

So, as I stated earlier, an ever-increasing number of fishing tackle products are being manufactured outside of the United States and the consequences of this are that there are fewer jobs available in the fishing tackle industry. Domestic manufacturers are finding it more difficult to compete and have been forced to either reduce their production or, in some instances, close their doors. The other option available to them is to move their operations to some other country. For the record, I wish to state here that to the best of my knowledge, those domestic manufacturers who are members of AFTMA are only interested in receiving fair and equal treatment under the regulations governing the payment of the D-J excise tax, and not a competitive advantage over foreign firms.

I am pleased to note that AFTMA has been working with the offices and staffs of certain members of the House Ways and Means Committee and the House Merchant Marine and Fisheries Committee to address this deficiency and to try to derive equitable language which would rectify this shortcoming in the application of the excise tax laws to the Dingell-Johnson Program.

What I have just described is but one problem that confronts many fishing tackle manufacturers, that is, many AFTMA members, on an ongoing basis. Some of the other more significant problem areas with the current regulations governing the D-J excise tax include, (1) the fact that there is inadequate enforcement by the Internal Revenue Service which enables many smaller fishing tackle companies, especially the proverbial "moms and pops," to totally escape from paying their excise tax obligation, and (2) the non-uniform interpretation of the current regulations by the Internal Revenue Service thereby necessitating some companies to spend many thousands of dollars on legal fees and lost time in an effort to resolve the resultant disputes. Documentation on this latter point has been submitted to members of the House Merchant Marine and Fisheries Committee, with the hope that this inequity will also be properly addressed in the near future.

One other reason why AFTMA opposes this one provision is that, if the D-J tax was expanded to include all those fishing tackle products which have been unilaterally included for expansion in this legislation, in addition to the distinct possibility that there could be double taxation on certain products, there would also be a tax placed on some products which are not solely used for fishing, and this, therefore, would add to some of the difficlties previously described.

AFTMA is vitally interested in resolving this very complex issue for, as stated earlier, our membership does recognize the value of the Dingell-Johnson Program. This is the very reason why we were in favor of this self-imposed excise tax back in 1952 when the program was established at our industry's request. Our membership has genuinely tried to arrive at mutually satisfactory, equitable solutions, which would generate a significant increase in the monies which would go into the Dingell-Johnson Fund without increasing the burdens of this tax to additional fishing tackle or boating manufacturers.

We have considered such potential solutions as a flat-rate tax on certain fishing tackle products. We have suggested that one of the most logical methods to raise additional revenues for the D-J Fund would be to have state fishing license fees increased. We have advocated the establishment of a national fishing license or stamp, one which would be structured along the lines of the universally-accepted Duck Stamp. And, last but not least, we have recommended that the D-J excise tax be collected at the retail level. We still believe each of these possible solutions has considerable merit, but for a variety of reasons, all of these potential alternatives to expansion of the D-J excise tax to additional fishing tackle items have been rejected, often precipitously, as being impractical or impossible.

In summary, therefore, AFTMA, for the reasons enumerated previously, must regrettably oppose H.R. 2163 in its present form. I say regrettably, because except for the expansion provision, the bill does contain a number of other excellent, supportable provisions, two of which alone have the potential for providing additional revenues of some $50-60 million for the D-J Fund, and another which would provide immediate relief to fishing tackle manufacturers by modifying the current regulations governing the payment of this excise tax.

Without the provision calling for the expansion of the 10 percent excise tax to additional fishing tackle items, and the 3 percent tax to two boating-related products, AFTMA would be delighted to support an amended version of H.R. 2163, for the result of the enactment of such legislation would be that the D-J Fund would be increased from its present annual amount of approximately $35 million to an amount which could approximate as much as $100 million.

Additionally and more positively, assuming that the deficiencies identified in this testimony will be addressed and favorably resolved, either legislatively or through the regulatory process, AFTMA, at a later date, would be favorably inclined to once again consider the expansion provisions to include some additional products that are used solely for recreational fishing, which we are now recommending be deleted from H.R. 2163 in their entirety. The only exception to this recommended deletion is organic, synthetic and metallic fishing lines, which AFTMA members would now favor being covered by the D-J tax. We would hope that inclusion of this additional category of products would be sufficient for the present to enable all concerned individuals and organizations to now support H.R. 2163 in toto, so that the resource can benefit from a much needed infusion of funds which will result from the prompt passage of this bill.

On behalf of the Board of Directors and many members of the American Fishing Tackle Manufacturers Association, I would like to thank the members of the Ways and Means Committee for the opportunity to (1) present our support of and views on the value of the Dingell-Johnson Program to the industry since its inception, (2) express our endorsement of all but one of the provisions contained in H.R. 2163 in recognition of the need for additional funding for the resource, (3) inform you about some of the current deficiencies in the regulations covering the payment of this excise tax, and (4) enumerate the problems that would result for many of our members by an expansion of this tax to additional fishing tackle and related products.

At your convenience, I will be most happy to answer any questions that the members of the Committee might have regarding this controversial, very complex issue confronting the fishing tackle industry.

Mr. SCHEDLER. With your permission, our president, Mr. Lowrance, would like to make a few comments on this issue.

Mr. RANGEL. Mr. Lowrance.

Mr. LOWRANCE. Mr. Chairman, I am Darrell Lowrance, president of the American Fishing Tackle Manufacturers Association, and also president of Lowrance Electronics. We manufacture depth sounders. We are the dominant manufacturer in that particular product field, and we do design and build all of our products in the United States, so we have a vital interest with regard to the import versus domestic issue that has been addressed.

But I would like to back up just a moment and address another issue or problem in the bill as currently proposed. As Treasury pointed out earlier, a real problem in the expansion to include additional so-called tackle items is picking up items that have important other uses. It would be very difficult to administer, and it would not pass any type of fairness test. Tackle boxes were used as an example, and they are a good example. The example used earlier, the use for sewing kits was referred to, and yes, tackle boxes are used for sewing kits, also first-aid kits and other diverse uses.

However, probably the most prevalent use of tackle boxes other than for fishing tackle is for tool boxes. Our company has 100 service centers that have portable traveling kits to service electronic equipment on boats and ships. We have purchased hundreds of these boxes because they make kits for carrying all kinds of small electronic parts. But the dominant use of these boxes is for mechanical tools, and a tremendous number of these boxes are sold for that purpose.

Moving along to the depth sounders that Lowrance Electronics manufactures, in the bill there is a proposal to tax depth sounders, but in the bill it is referred to as fish finders. There is a subreference you might call it in parentheses for depth sounders and trolling motors. These are a carryover from the earlier proposal that certain size small boats that would tend to be used as fishing boats be taxed, the boat and its accessories. The fuel tax has been used to supplant that original proposal; however, the boating items have been singled out to be taxed in the latest proposal.

It is incorrect to call these products fish finders in the sense that they are not just fish finders. In fact, let me state it more accurately. All depth sounders or sonar instruments are able to show fish and other objects under the water. That is their basic function, to show underwater objects. The Navy developed sonar instruments during World War II to find submarines. All mapping is done with depth sounders. It is the only way to do it. All Navy ships have depth sounders. Call them fish finders if you want, because you can also show fish.

We sell a lot of fish finders or depth sounders to the Coast Guard. The Navy and Coast Guard are not using them for fishing. They are a basic navigation and safety instrument. I have been on hundreds of ships in the 26 years that we have been in business. I have never been on a ship or any large commercial vessel or any type of commercial vessel, ship, boat, or otherwise, that did not have at least one depth sounder, call it fish finder if you want, because it could be used for that purpose. I am talking about commercial boats.

Treasury or someone else addressed the point that they do not want a tax on products used commercially. There is no way to track and say which of the products because they go through a distribution, to say which ones go to commercial use and which go to fishing use. All ships in all major harbors of the world are required to have recording type depth sounders. The recording type gives a ship's captain or pilot an immediate view of the trends of what is happening with the bottom contour. It keeps him in the channel. When he hits the edge of the channel he knows he is in dangerous water. The Government requires that because it gives proof of where the ship was in case of accident investigation.

Last year two F-16's were found in Great Salt Lake by an independent contractor, a salvage operation using our equipment. They were found in pieces but the Air Force was interested in accident investigation of how the accidents occurred. There is a tremendous amount of salvage and underwater mapping that takes place with these same products, and there is a serious problem that affects us as a company.

The depth sounder is one piece of electronics instrumentation on ships and boats used in conjunction with loran-C, which is another navigation instrument for pinpointing a location, used with satellite navigation, used with radar, and we are designing equipment on a systems approach of combining these instruments. If depth sounders were taxed in that they are sometimes used on some small boats and sometimes large commercial boats for fishing, how would you separate out a small part of this total instrument system that the system itself would be several thousand dollars and the depth sounder portion may be a few hundred dollars of that, and there is no way physically through the hardware and the product or the software, the computer programs to say which is which.

We envision on one of the products having all the harbors in the United States and the harbors in the world later on a software disk, on an onboard computer that feeds into this basic system that includes the sonar and shows where the ship or boat is in relation to all the navigational aids, a tremendous safety device.

Fish and game commissions have testified earlier today and Mike Conlin from the State of Illinois could support a statement. I talked with the deputy director from the State of Illinois. They bought one of the instruments and used it to find illegal nets. One of the greatest threats to fishing are the poaching nets. You go to the lakes and a find tremendous number of illegal nets and fish traps. The State of Illinois purchased one of our latest products and in the first half day of use they found 41 illegal nets and fish traps. I would daresay that if all the States followed suit, and by the way, a lot of States have, South Carolina and Oklahoma, I will not name all of them—have bought the depth finders to find illegal fish nets. This could have as great an impact as anything they have done in the past to improve fishing, because the illegal take of fish by poachers is one of the greatest threats that there is to fishing.

I want to address a point with regard to the import problem that Mr. Schedler referred to. When the D-J tax was passed almost 30 years ago, I am sure it was not envisioned by the legislators that passed the tax that it would work a hardship on domestic manufacturers or that it would create an unfair advantage that caused importers to defeat domestic producers, but that is what has happened. It has been a significant factor—most all of the major rod and reel companies in this country import from overseas. Even those who started out as domestic manufacturers have been forced to import most of their product from overseas. Extending this tax to additional tackle items puts the other tackle manufacturing items in that same problem. These major rod and reel companies who now import from overseas, they can look at other tackle items that they have distribution on and they can import those from overseas, and because of the differential in the way the tax is applied, it gives them an additional advantage.

This additional advantage can be very significant. As an example, with depth sounders, depth sounders are an electronics product and so they are very labor-intensive, high technology, there is a lot of value in a small package, so they are valuable for import. We have over 300 competitors in depth sounder instruments, almost all of them imports, over the 26 years, and it has been a tough, long battle to survive in that competitive atmosphere. We like competition. We have been able to show that an American company can compete against the foreign companies in terms of quality and reliability and basic technology. If the 3-percent tax goes in, there are so many ways and devices to get around it by the importers that it would probably translate into a 2- to 2½-percent advantage for the importers. We have fought them 26 years, and we have won those battles. We are talking about approximately 500 jobs in our company, and we are a notable exception in consumer electronics. We do dominate that market, and that is very unusual in electronics. This legislation would be the same as legislating us out of business. The same thing applies to maybe a lesser extent to other fishing tackle products because of less labor content or high value in a small package.

The Fishing Tackle Manufacturers Association board of directors has voted on several occasions over the last 3 years to oppose this bill because of those unfair aspects. The association still stands in that position. We do have some members who are major importers who are taking a different stand and wanting to see this tax expanded because it would give them a tremendous advantage over the other members of the association.

Thank you very much.

Mr. RANGEL. Mr. Stone.

STATEMENT OF RON STONE, DIRECTOR OF GOVERNMENT RELATIONS, NATIONAL MARINE MANUFACTURERS ASSOCIATION

Mr. STONE. Mr. Chairman and members of the committee, I am Ron Stone, director of government relations for the National Marine Manufacturers Association. I am here to testify in behalf of our more than 700 members who manufacture recreational boats, marine engines, and associated boating equipment.

I would like to depart from my written testimony at the outset to clarify something for the hearing record, and that is that yes, we are in favor of those provisions of H.R. 2163 which capture total motorboat fuel tax revenue for boating and fishing purposes and which credit import duties on pleasure boats and yachts and fishing tackle to the Dingell-Johnson fund. However, we take no position on the proposed new excise tax on items of sport fishing equipment for sport fishing enhancement under the D-J fund. We do not feel comfortable with volunteering a sister industry for new taxes.

For the past several years it is common knowledge that our industry has vigorously resisted imposition of a manufacturer's excise tax on boating products, largely on economic grounds that such a tax would hurt sales and employment in our industry and give a competitive edge to foreign manufacturers. We empathize with sport fishing equipment manufacturers who share the same economic concerns. On the other hand, we are reluctant to make any waves that can swamp the greater part of the compromise we have worked out between boating and fishing interests on sharing revenues. I believe this is consistent with the testimony we presented before the House Merchant Marine and Fisheries Subcommittee on Coast Guard and Navigation.

To reiterate from my written testimony, yes, we enthusiastically support H.R. 2163 to share the revenues from the 9-cent-per-gallon Federal tax paid on fuel used in recreational boats between the States and the Coast Guard for boating safety purposes, between the States for fish restoration programs, and between States for improved public access. It is our assessment that this legislation would optimize the use of marine fuel tax revenue, providing something for everybody in government responsible for recreational boating and sport fishing enhancement.

H.R. 2163 will provide the wherewithal to continue the Federal/State partnership initiated in the Federal Boat Safety Act of 1971, which has produced effective State recreational boating safety law enforcement and education. This we believe has been largely responsible for dramatically improving safety on the water. It is highly significant that in just the past 10 years of Federal assistance for State boating safety programs the fatality rate in boating accidents has been more than cut in half. Regrettably because of budget limitations Congress in recent years was forced to terminate State boat safety grants from general revenues. Everybody feared an increase in boating accidents if the States had to cut back. Happily, H.R. 2163, using the boatmen's own money and not relying on general revenues, will insure the funds necessary to avoid the counterproductive consequences of State cutbacks in their boating safety programs. It will also allow the Coast Guard to leave the primary responsibility for recreational boating safety to the States, as the Coast Guard itself has recommended to Congress, and let that Federal agency focus upon graver responsibilities assigned to it by Congress.

It is fully expected that the heightened involvement by the States in recreational boating safety made possible by motorboat fuel tax financing will curtail the need for Coast Guard involvement and reduce the Coast Guard's operating expenses related to recreational boating. Therefore, we believe that the $15 million per year which H.R. 2163 provides the Coast Guard over the next 5 years is more than adequate and should be in lieu of any new user fees, including authority to charge specific fees for specific services which the Secretary of Transportation has asked for in recent draft legislation sent to the Hill. We do not think that the Coast Guard should share in motorboat fuel tax and have user fees too.

That part of H.R. 2163 which funnels Federal motorboat fuel taxes in excess of the $45 million reserved for boating safety into the Dingell-Johnson fund for State fisheries assistance and public access is a compromise. It is a compromise we do support. It is a substitute for a new 3-percent excise tax on small boats, outboard motors, and boat trailers, a proposal which sport fishing interests backed and most boating interests vigorously opposed for the past several years. Boating does not object to sharing its existing fuel tax with sport fishing as an alternative to new taxes, provided it is understood that a reasonable part of the money will be used to help boating as well as fishing in the form of better public access. Appropriately, H.R. 2163 provides that 10 percent of the total D-J fund shall be reserved for public access for recreational boating purposes. In addition, the sport fishing interest groups have cooperated with us in taking pains to see that the legislative history of this legislation makes the point that public access built or maintained with motorboat fuel tax money is open and conducive to the operation of motorboats.

We are also encouraged to note that H.R. 2163 gives the States the option of spending all or part of their share of the motorboat fuel tax money reserved for boating safety on public access. We think that public access can easily be justified as part of a safety program. Allowing the States to put boating facilities where they are needed and in short supply can make the average boater's day at the lake or river not only more pleasurable but less of a safety risk due to overcrowding and poor conditions.

In conclusion, Mr. Chairman, we endorse H.R. 2163 insofar as it unleashes existing taxes which have been locked up or unavailable to the boat-using public which pays those taxes and equitably divides them between several purposes—boating safety, public access, and fish restoration—which better serve boating and fishing alike. We believe that boaters should receive a return for the millions which they contribute in taxes every year. H.R. 2163 will accomplish this admirably.

Thank you.

Mr. RANGEL. Thank you.

Mr. Howard.

STATEMENT OF GENE HOWARD, VICE PRESIDENT, PLANNING AND ADMINISTRATION, ZEBCO DIVISION OF BRUNSWICK CORP.

Mr. HOWARD. Mr. Chairman, my name is Gene Howard, and I am vice president of Zebco, a fishing tackle company located in Tulsa, Okla. Zebco is a division of Brunswick Corp., and we have a sister division by the name of Mercury Marine, also a division of Brunswick, and they join us in support of H.R. 2163, including the expansion of excise tax to Mercury trolling boats.

My remarks today will first address the issue of the excise tax deferral portion of H.R. 2163. Then I will conclude with some comments relative to the remaining provisions of the bill.

Zebco is one of the companies which initially supported the imposition of an excise tax on our products in 1952 and has never changed its position. In 1952 the excise taxes on fishing tackle could have been taken off. They were considered to be removed again in the early sixties, and we have continued throughout this period of time to lobby in favor of the inclusion of those taxes on our products.

We have always recognized that a development program to promote the sport fishing industry was in its best long-term interest. It is more important now than ever before to attract new participants and to retain the old participants.

Perhaps the most critical long-range issue facing the sport fishing industry is the degree of success that a participant has when he goes fishing. A reasonable chance of catching fish is increased if there are more lakes and, most important, more fish in those lakes. With the rapid increase in population growth over the past 25 years, it is even more important today that the restoration programs funded from the sale of our own products and taxed on our own initiative be maintained and increased. The majority of the reel and rod tackle companies in the United States share this same opinion. A lot of our Zebco reels are used to fly kites, but we do not try to exclude those from the base on which we pay our excise tax.

The fish restoration programs are dependent on the growth of the sport fishing industry. Treasury this morning commented on the growth in the excise tax collections. Certainly one of the ways to increase the availability of Dingell-Johnson funds is for manufacturers to increase their sales. Historically, the fishing tackle year begins on August 1, with new products, prices, and programs, and ends on the following July 31. In 1952, when the legislation and related timing of excise tax payments was enacted, Zebco generated 20 percent of its annual volume from August 1 through December 31.

Marketing tactics designed to get the products on customers' shelves ahead of the normal selling season (January–May) resulted in the practice of offering an extended period of time for payment if the customer would accept delivery ahead of the normal shipping period. Known in the industry as "dating" or "terms," this tactic met with enough success so that by 1960 about 30 percent of Zebco's sales were from August through December. By 1965, over 35 percent of sales were generated in the August through December period, increasing to over 40 percent in recent years and sold under some form of dating. It is our opinion that this pattern is fairly representative of the sport fishing industry.

The calendarization of sales has changed as a result of dating programs. Calendarization has changed as a result of programs and promotions which in turn has resulted in increased sales. Our experience has been that if the products can be placed in the hands of the customer, he will find a way to move them ahead of the normal selling season also.

Dating is sometimes more important than price. Over 50 percent of the sport fishing industry sales are to wholesalers or jobbers who, in turn, must offer dating to their retail customers. This type of outlet historically has been undercapitalized and must receive their money before they can pay. This is an additional reason why dating is so prevalent in the sport fishing industry.

The acceptance of sales terms affects investments and people. While the primary motive in offering dating is to increase sales and related profits, an important benefit is the leveling of production to make maximum usage of the physical facilities. The same annual volume can be obtained from less investment in property, plant, and equipment if production is relatively even from month to month rather than producing at an accelerated pace for a few months of the year. However, the greatest benefit of more level production is to our production workers. A stabilized work force is not only more profitable, but is equally more desirable from the workers' standpoint.

Effect on the U.S. Treasury is very minimal. Treasury at one time said it would cost the Treasury over $1 million. The other side of the story which they did not project very well was that what is expense to the Treasury would become income to the fishing tackle manufacturers, and the Treasury bill rates which the Treasury would have to pay to—if they lost some of these funds, no one in the industry is borrowing at Treasury bill rates, I assure you of that.

Another important point is the deflationary effect on fishing tackle items if this bill were passed. Prices could be maintained, whereas the present system is inflationary and requires the fishing tackle manufacturers to borrow the money to pay the tax before collection for the sale is made. These costs find their way into the selling price of the products and are marked up throughout the distribution system.

Summary of deferral provision. The method of selling and the subsequent collection of receivables has changed since the industry voluntarily imposed an excise tax on its products. The timing for remittance of the tax has even been increased. The provisions of the proposed legislation would enable the manufacturer or importer to more closely match the payment of the tax with the collection for the sale which was the intent in 1952. Therefore, the proposed legislation should not be considered special interest or a precedent for any other excise tax interests.

I have said this before and I will say it again today, that probably the only precedent established here is this will be the last time we will ever volunteer to tax any of our products.

I would like to emphasize in conclusion the remaining portion of the bill, how we feel and how a lot of other tackle manufacturers and marketers of fishing tackle in the United States feel. We need to get our own house in order. We cannot depend on the duty being reallocated. Under the Tokyo round that was reduced by 60 percent, and we will very quickly fall under the 4- or 5-percent range, and at that time in all probability the duty on fishing tackle will be removed. The fuels taxes come and go. So in relation to that, the fishing tackle manufacturers and marketers of tackle in the United States got together and adopted the following position paper on March 31, 1983. It said the undersigned are united and dedicated in our belief that the regeneration and enhancement of the general fish population and the resulting degree of success in catching fish is the most critical issue facing the sport fishing industry, now and during the next 25 years. Therefore, we enthusiastically support measures which will increase the revenue available to the Dingell-Johnson program.

This position paper was adopted in support of the merchant marine and fisheries bill, H.R. 2754, and we have no problem with H.R. 2163. It contains these provisions for the reallocation of motor boat fuel tax, import duties on fishing tackle, yachts and pleasure craft to the Dingell-Johnson program, extends the excise tax to trolling motors and electronic fish finders at a 3-percent rate and to most other fishing tackle items at the current 10-percent rate with the exception that the rate for tackle boxes, regardless of use, be adjusted to reflect 5 percent rather than 10 percent. The bill also contains our long sought after deferral for remittance of the excise tax.

Certain fishing tackle companies were among the first proponents to lobby in favor of taxing its products to provide funds necessary to manage and improve the Nation's sportfishing resources. Most of those companies have never changed that position. The mechanics of how additional funding might be obtained, and even the wise, judicious use of existing funds, is subject to debate. However, they are issues that can be resolved in the normal legislative and regulatory process. The recommended provisions cannot completely satisfy all the parties involved, but our industry can no longer wait for the "perfect" solution while the problems that confront us grow to unmanageable proportions.

Based on AFTMA's most recent executive market summary and industry knowledge of unit market share, the companies that support this bill represent approximately 70 to 80 percent of all reels sold and 60 to 70 percent of all rods sold.

We concluded with a paragraph to urge all other companies who understand the needs of our industry, and the realities of the legislative process, to let their voice be known in support of our position. Thereafter, the membership must put its differences behind us and unite behind responsive, cohesive leadership which can develop meaningful programs that will grow the industry for the benefit of all concerned.

That was signed by several of the large tackle companies here in the United States in my written submission.

I have two other things I would like to say. One, I would like to take exception to the statement made by the American Fishing Tackle Manufacturers Association that almost all fishing reels are manufactured outside of the United States. Our 600 workers in Tulsa, Okla., and related suppliers take exception to that, because Zebco sells almost one-third of all the fishing reels sold in the United States, and all of those are made and manufactured in Tulsa, Okla. Therefore, we do not consider ourselves an importer by any stretch of the imagination. There has been a great amount of opposition by certain companies whose products are affected by expansion of D-J. I would like to enter into the record of this proceeding an exhibit which speaks for itself. It is an article in our Sunday paper entitled "Fish Can't Escape the Search of Lowrance's Green Box."

[The article referred to follows:]

[From Tulsa World, May 29, 1983]

FISH CAN'T ESCAPE SEARCH OF LOWRANCE'S GREEN BOX

(By Sam Powell)

They were the first, there has been more of them in use, and they're still the best.

That's certainly an opinion that may be debated, but over the past decade or so we have had the opportunity to use a lot of different electronic fishing units, seen a lot in use, and been with a lot of excellent anglers who believe in them.

So it's no surprise to anyone familiar with the American fishing tackle industry, concerning what happened here in Tulsa last week. It's still a most significant achievement.

Production of the one millionth sport fishing sonar unit was observed in special ceremonies at the Tulsa-based headquarters of Lowrance Electonics.

For over 25 years, the name Lowrance has indeed meant sonar fishing to hundreds of thousands—yes even a million—anglers.

These electronic aids have been used on everything from canoes, with the portable units, to huge, ocean-going sport fishing craft carrying the deluxe models.

Anyone who even halfway follows the fishing tackle industry also knows full well this is a business that is replete with "gadgets." There are enough new, supposedly revolutionary devices, gimmicks, and doo-dads introduced every year to fill an entire catalog.

Most of them are designed to make some bucks for the inventor, more so than really putting some fish in the angler's creel.

Not so though, when it comes to the electronic depthfinder.

Make no mistake about it, despite the fact we personally are sold on Lowrance products, there are indeed several other excellent sonar units on the market now.

Regardless of which particular brand you use, if it's a quality piece of equipment it will be invaluable to your fishing. And just general boating.

If we were putting together any type of fishing boat this summer, it would have a depthfinder on it. If we had to call a halt at many other items—which can today quickly run the price of a new rig sky-high—we'd still make sure the craft carried a depthfinder.

This too is a debatable point, but we personally consider a depthfinder more valuable—for all-around fishing for the many species we have now in Oklahoma—than even an electric trolling motor.

It all started with "the little green box."

Carl Lowrance founded the company in 1957 in Joplin, Mo., primarily for use by him and sons Darrell and Arlen in skin diving. Their scuba diving experience on lakes such as Grand had shown that most game fish were found in large schools, and confined to definite areas.

As Carl remembers it, they designed that first sport fishing sonar with several things in mind. It had to be portable, compact, lightweight, contain its own batteries, and be relatively inexpensive.

They first selected a small manufacturer on the west coast, with previous experience in sonar, to produce 2,000 units.

Performance of these first depthfinders was not up to what they hoped though, and another firm was later contracted to also produce the portable units. Here too quality sought by the Lowrances was never really achieved.

Finally, in 1959 Carl and his sons decided the only way to market the precision instrument they wanted was to form their own company. They founded Lowrance Electronics, Inc., and in the next two decades it grew to become the world's largest manufacturer of electronic sonar for sport fishing.

The company now produces 25 different models of sonar units. They're built in an ultra-modern plant located at 12000 East Skelly Drive. The plant was constructed in 1970, and occupies 130,000 square feet of floor space.

The special, commemorative unit presented to Darrell, now company president, was a surprise gift from Lowrance's 435 employees. The silver-plated and engraved unit looks like the original "little green box," but the electronics inside are vastly different from those first models.

In recent years, much of the firm's business has been with the truly remarkable graph recording units.

The Lowrance X-15 computer graph has been the hottest thing on the market since it was introduced last year, and has won rave reviews from such noted anglers as Tulsa's own Joe Krieger.

Fishermen such as Krieger, who are really experienced in use of such units, can begin a day's fishing trip by running "sweeps" over large areas of our big lakes. And quickly tell you what kind of fish are down there, at what depths, and what type of lures will be most effective.

In a word, these new units are fantastic, and just have to be seen in operation to be believed.

The X-15 has in fact quickly become the fastest-selling graph unit in the industry's history.

The firm also has a large factory-service center in Dallas, and operates more than 100 authorized service centers throughout the world. Yes, Lowrance depthfinders are in use just about anywhere you find large bodies of water.

About 10 per cent of its sonar production today is exported, with markets in 20 foreign countries. The firm is also involved in the manufacture of water temperature gauges and satellite receivers, and produces computer parts for defense contractors.

It's really a story of American free enterprise, ingenuity and the continuing desire to produce a top-quality product. And it all started with a little green box.

Mr. HOWARD. My learned colleague and industry associate down here has testified that he would not like to see a tax on Lowrance products. I will read the first paragraph. "They were the first, there have been more of them in use, and they are still the best." That is certainly recognized in the industry today. That certainly is an opinion that may be debated, but over the past decade or so we have had the opportunity to use a lot of different electronic fishing units, have seen a lot in use, and have been with a lot of excellent anglers who believe in them. So it is no surprise to anyone familiar with the fishing tackle industry concerning what happened here in Tulsa last week. It is still a most significant achievement. Production of the 1 millionth sportfishing sonar unit was observed in special ceremonies at the Tulsa-based headquarters of Lowrance Electronics. For over 25 years the name Lowrance has indeed meant sonar fishing to hundreds of thousands, yes even a million anglers. I think that indicative of the somewhat of a free ride that a lot of products in the sportfishing industry has received today since the D-J was enacted in 1952, 1 million units compliments to a large extent of the excise tax on reels and rods in the D-J program. That is why Lowrance' largest competitor, Texonic [phonetic], the president has been to this committee and voluntarily asked that his products be taxed because he recognizes the importance of the sportfishing restoration in the United States.

[The prepared statement follows:]

STATEMENT OF GENE HOWARD, VICE PRESIDENT, ZEBCO, A BRUNSWICK COMPANY

SUMMARY

1. The present excise tax is voluntary on the part of the sportfishing industry.
2. Zebco and the majority of reel and rod companies have always supported the tax.
3. The tax is important to the development of the sportfishing industry.
4. The calendarization of sales by the industry has changed since the tax was enacted as a result of dating programs.
5. The timing for remittance of the tax has been accelerated.
6. Dating is sometimes more important than price.
7. The acceptance of sales terms affects investment and people.
8. The effect on Treasury is minimal.
9. The provisions of H.R. 2163 more closely match the remittance of the tax with the collection for the sale.
10. It was never intended for the revenue deposited from this small sportfishing industry to fund the United States Treasury for any amount or period of time.
11. The fact that this is an industry-sponsored tax makes it unique and the proposed legislation should not be considered special interest or a precedent for any other excise tax interests.
12. The reel and rod companies who support H.R. 2163 represent approximately 70 to 80 percent of all reels sold and 60 to 70 percent of all rods sold.

STATEMENT

Mr. Chairman, my name is Gene Howard and I am Vice President of Zebco, a fishing tackle company located in Tulsa, Oklahoma. Zebco is a division of Brunswick Corporation. Mercury Marine is also a Division of Brunswick, and they join us in support of H.R. 2163, including the expansion of excise tax to Mercury trolling motors. My remarks today will first address the issue of the excise tax deferral of H.R. 2163. I will conclude with comments relative to the remaining provisions of the bill.

Excise tax deferral

ZEBCO HAS ALWAYS SUPPORTED THE VOLUNTARY TAX OF SPORTFISHING ITEMS TO FUND A FISH RESTORATION PROGRAM

Zebco is one of the companies which initially supported the imposition of an excise tax on our products in 1952 and has never changed its position. The company has always recognized that a development program to promote the sportfishing industry was in its best long-term interest. It is more important now than ever before to attract new participants and to retain the old participants. Perhaps the most critical long-range issue facing the sportfishing industry is the degree of success that a participant has when he goes fishing. A reasonable chance of catching fish is increased if there are more lakes and, most important, more fish in those lakes. With the rapid increase in population growth over the past 25 years, it is even more important today that the restoration programs funded from the sale of our own products and taxed on our own initiative be maintained and increased. The majority of the reel and rod tackle companies in the U.S. share this same opinion.

FISH RESTORATION PROGRAMS ARE DEPENDENT ON THE GROWTH OF THE SPORTFISHING INDUSTRY

One of the ways to increase the availability of Dingell-Johnson Funds is for manufacturers to increase their sales. Historically, the fishing tackle year begins on August 1, with new products, prices and programs, and ends on the following July 31. In 1952, when the legislation and related timing of excise tax payments was enacted, Zebco generated 20 percent of its annual volume from August 1 through December 31.

Marketing tactics designed to get the products on customers' shelves ahead of the normal selling season (January-May) resulted in the practice of offering an extended period of time for payment if the customer would accept delivery ahead of the normal shipping period. Known in the industry as "dating" or "term," this tactic met with enough success so that by 1960 about 30 percent of Zebco's sales were from August through December. By 1965, over 35 percent of sales were generated in the August through December period, increasing to over 40 percent in recent years and sold under some form of dating. It is our opinion that this pattern is fairly representative of the sportfishing industry.

THE CALENDARIZATION OF SALES HAS CHANGED AS A RESULT OF DATING PROGRAMS

All this to say that over the years since the excise tax legislation was enacted, the calendarization of sales has changed as a result of programs and promotions which, in turn, has resulted in increased sales. Our experience has been that if the products can be placed in the hands of the customer, he will find a way to move them ahead of the normal selling season also.

DATING IS SOMETIMES MORE IMPORTANT THAN PRICE

Over 50 percent of the sportfishing industry sales are to wholesalers or jobbers who, in turn, must offer dating to their retail customers. This type of outlet historically has been undercapitalized and must receive their money before they can pay. This is an additional reason why dating is so prevalent in the industry.

THE ACCEPTANCE OF SALES TERMS AFFECTS INVESTMENTS AND PEOPLE

While the primary motive in offering dating is to increase sales and related profits, an important benefit is the leveling of production to make maximum usage of the physical facilities. The same annual volume can be obtained from less investment in property, plant and equipment if production is relatively even from month-to-month rather than producing at an accelerated pace for a few months of the year.

The same benefit to property, plant and equipment from leveling of production is also related to the financial costs of building inventory ahead to meet peak shipping periods and thrust that the demand will still be there at the seasonal peaks. However, the greatest benefit of more level production is to our production workers. A stabilized work force is not only more profitable, but is equally more desirable from the worker's standpoint.

EFFECT ON THE U.S. TREASURY

Since the U.S. Treasury acts as a collection agency, it is granted that they would be denied use of the funds for the period of the deferral. However, it was never the intent for the cash flow from voluntary, self-imposed excise taxes on this small fishing tackle industry to fund the Treasury for any period of time.

The other side of the story is that if it costs Treasury at Treasury bill rates, the fishing tackle manufacturers are borrowing at least at 150 percent of those rates (probably closer to 200 percent for most of the industry).

Interest expense to the Treasury would become income to the fishing tackle manufacturers but at 150 percent of the amount in question. Therefore, Treasury should recognize the offset of additional income taxes collected on a quarterly basis from the fishing tackle manufacturers from increased profits as a result of less interest expense due to lower borrowings.

Another important point is the deflationary effect on fishing tackle items if this bill were passed. Prices could be maintained, whereas the present system is inflationary and requires the fishing tackle manufacturers to borrow the money to pay the tax before collection for the sale is made. These costs find their way into the selling price of the products and are marked up throughout the distribution system.

SUMMARY OF DEFERRAL PROVISION

The method of selling and the subsequent collection of receivables has changed since the industry voluntarily imposed an excise tax on its products. The timing for remittance of the tax has even been increased. The provisions of the proposed legislation would enable the manufacturer or importer to more closely match the payment of the tax with the collection for the sale which was the intent in 1952. Therefore, the proposed legislation should not be considered special interest or a precedent for any other excise tax interests.

Remaining provisions of H.R. 2163

The following position paper was adopted by the companies indicated on March 3, 1983.

CERTAIN FISHING TACKLE COMPANIES POSITION PAPER—DINGELL-JOHNSON EXCISE TAX MATTERS

We, the undersigned, are united and dedicated in our belief that the regeneration and enhancement of the general fish population and the resulting degree of success in catching fish is the most critical issue facing the sport fishing industry, now and during the next 25 years. Therefore, we enthusiastically support measures which will increase the revenue available to the Dingell-Johnson Program.

Our support is for the Merchant Marine and Fisheries Committee bill (H.R. 1724) which contains provisions for reallocation of motor boat fuel tax, import duties on fishing tackle, yachts and pleasure craft to the Dingell-Johnson program, extends the excise tax to trolling motors and electronic fish finders at a 3 percent rate and to most other fishing tackle items at the current 10 percent rate with the exception that the rate for tackle boxes, regardless of use, be adjusted to reflect 5 percent rather than 10 percent. The bill also contains our long sought after deferral for remittance of the excise tax.

Certain fishing tackle companies were among the first proponents to lobby in favor of taxing its products to provide funds necessary to manage and improve the Nation's sport fishing resources. Most of those companies have never changed that position. The mechanics of how additional funding might be obtained, and even the wise, judicious use of existing funds, is subject to debate. However, they are issues that can be resolved in the normal legislative and regulatory process. The recommended provisions cannot completely satisfy all the parties involved, but our industry can no longer wait for the "perfect" solution while the problems that confront us grow to unmanageable proportions.

Based on AFTMA's most recent executive market summary and industry knowledge of unit market share, the companies that support this bill represent approximately 70 to 80 percent of all reels sold and 60 to 70 percent of all rods sold.

We urge all other companies who understand the needs of our industry, and the realities of the legislative process, to let their voice be known in support of our position. Thereafter, the membership must put its differences behind us and unite behind responsive, cohesive leadership which can develop meaningful programs that will grow the industry for the benefit of all concerned.

Abu/Garcia, Fairfield, N.J.; Berkley, Spirit Lake, Iowa; Daiwa Corp., Gardena, Calif.; Johnson Fishing Co., Mankato, Minn.; Kodiak Corp., Bessemer, Mich.; Martin Reel Co., Mohawk, N.Y.; Ryobi American Corp., Bensenville, Ill.; Shakespeare Fishing Tackle, Columbia, S.C.; South Bend Sporting Goods, Inc., Chicago, Ill.; Walker International, Detroit, Mich.; Zebco, Tulsa, Okla.

Mr. Rangel. Are there questions?

Mr. Duncan.

Mr. Duncan. Thank you, Mr. Chairman. I thank the panel.

Mr. Howard, does your company manufacture any type of rod and reel or fishing equipment abroad?

Mr. Howard. We do. We do not manufacture, we purchase. Around 5 percent of our volume comes from purchases from abroad.

Mr. Duncan. Do you agree that the importers have a great advantage over the domestic manufacturers?

Mr. Howard. I have heard from a reliable source that importers do use unrelated third parties, or related parties through third parties do pay excise tax, and they consider that first sale.

Mr. Duncan. Do you think that is a matter that this committee should look into?

Mr. Howard. I would certainly think so.

Mr. Duncan. Mr. Schedler, you seem to be for this bill, H.R. 2163, is that right? You appear to support H.R. 2163 on a condition, is that right?

Mr. Schedler. That is correct. We would be willing to support H.R. 2163 provided that the laundry list of somewhat unilaterally selected so-called fishing products would be removed with the exception of fishing lines, which we would be willing to include in the tax coverage at this time.

Mr. DUNCAN. Without that being done in the committee—then are you opposed to the bill?

Mr. SCHEDLER. If that portion is removed we would be in full support.

Mr. DUNCAN. If it is not removed.

Mr. SCHEDLER. We would not be able to support it without working further with the committee and the staff to see what equitable solutions could be arrived at.

Mr. DUNCAN. Would you support the bill if the committee held hearings and looked into the situation?

Mr. SCHEDLER. Our tendency would be to support it. The only reservation I have, and I think I speak accurately for the association, and you have been involved in the deferral issue which has dragged on for the better part of a decade, we are just very, very concerned and I think legitimately so, that if the items which are now listed in H.R. 2163 were to be added on the premise that sufficient legislation or regulations would be issued at a later date, it might be another decade down the road before that would occur, and there are a number of companies that may be out of business by the time that takes place. That is our concern.

Mr. DUNCAN. Mr. Stone, you are not unalterably opposed to the bill. You just don't want to take a stand on the tax, is that right?

Mr. STONE. On the new excise tax on sportfishing equipment, right. We support the use of motorboat fuel tax and use of import duties on pleasure boats and yachts and fishing tackle.

Mr. DUNCAN. You don't take a position on the new tax?

Mr. STONE. No, no we don't.

Mr. DUNCAN. Thank you, gentlemen.

Mr. RANGEL. Mr. Jones.

Mr. JONES. Just a couple questions, Mr. Chairman.

First, Mr. Howard, I commend you for the amount of time you put into your testimony to the deferral issue. You have worked hard on this over the years. I got a kick out of the Treasury spokesman. If I had been here and had not been on the floor before he finished his testimony I wanted to ask if he were a career bureaucrat, I doubt that he is, because he is pretty well mouthing the Treasury bureaucracy's new lines of opposition each time it is brought up even though it passed the House twice before.

I would like to ask you if you have any additional comments you would like to make in relation to what was testified to this morning, particularly where they talked about a new administrative burden which would force the change in due dates for the excise tax returns to sport fishing equipment to coincide with the extension of time for payments provided under H.R. 2163.

This is a new one that the bureaucracy raises that they have not raised in the past.

Mr. HOWARD. That is the first time they raised that one but I see no problem in reporting it. I would think the fact that the tax is due following the quarter in which the shipment was made that you would file your excise tax return at that time, also.

Mr. **Jones**. I don't see any administrative burden either. Each one of the Treasury complaints in the past has been overridden by the House. I assume it will be again.

Mr. **Howard**. We appreciate that.

Mr. **Jones**. Mr. Schedler, let me ask you on this issue of foreign manufacturers being taxed at a lesser rate because they are not dealing on an arms length basis with retailers and distributors here in the United States.

I believe the present law authorizes the IRS to establish a constructive sales price where an article is not sold by the manufacturer in an arms length transaction.

Has your association or the industry in general asked Treasury to establish a constructive sales price and has IRS not responded or what has been your experience with that?

Mr. **Schedler**. Several things, Mr. Jones. First of all, the fact that the foreign companies are able to lower their excise tax obligation by selling to a related company is one problem but there are other factors that enter into the low price that some foreign companies have, whether it is just a lower cost of labor, their G and A, overhead, et cetera, there are other factors besides a legalized method of getting around paying their excise tax at a comparable level to the domestic manufacturers for a like product.

Mr. Lowrance reminded me that we have a company that sent us a letter saying that on an identical rod manufactured in the United States versus one manufactured overseas, the excise tax is double on the U.S. rod versus the one produced in the foreign country.

Mr. **Jones**. Did that company indicate that that was due to the fact that there was not an arms length transaction, that the difference was being made up in the distributing company here in the United States; or is there that much difference in the cost of manufacturing, in terms of labor costs?

Mr. **Schedler**. More the latter portion, yes. The labor and just the cost of manufacturing was significantly less overseas than here.

Mr. **Jones**. What you are saying is even if IRS were to establish a constructive sales price there would still be a large differential in the tax paid by a foreign manufacturer versus that of a U.S. manufacturer.

Mr. **Schedler**. That certainly is true. There would be some differential. On the constructive sales price of course that is a regulation that exists now and in the material that I previously provided Mr. Forsythe which he included in his testimony, it shows that we have U.S. manufacturers having a devil of a time with the definition of what is a constructive sales price and the various interpretations that the IRS agents place on a domestic manufacturer when an audit takes place.

That is a problem in itself and is not limited to only foreign manufacturers.

Mr. **Jones**. Is there any other member who wants to agree, disagree or whatever with that?

Mr. **Howard**. I would just like to add one further comment. We do import a few items, maybe 5 percent of our volume comes from purchased items and we do not try to run any of our products through third parties to pay the excise tax on the import value. We have spent thousands and thousands of dollars with two major law firms and tax firms trying to set up a valid way that ZEBCO could pay excise tax on a lower base.

Both firms have come back and said do it if you want to but if you get caught don't call us because we have already given you our opinion.

We feel it is an enforcement problem. The definition of first sale is very clear in the Internal Revenue Code and the Internal Revenue Service need only enforce the regs on the books now. We have no objections to constructive sales price or anything that would help to clear up enforcement of this problem in the field.

Constructive sales price that would approximate the value of a first sale under the definition of the code, that is just in further explanation of the code, is written in our opinion.

Mr. JONES. Just to clarify the answers to my question, is there disagreement with the statement that even if IRS were to enforce vigorously the provision to establish a constructive sales price, that wouldn't make any difference because the costs of manufacturing fishing tackle overseas are so much less than in the United States that the U.S. manufacturers are going to pay substantially higher excise tax in an arms length transaction from a foreign manufacturer to a distributor in the United States.

Any disagreement with that?

Mr. HOWARD. Well, Mr. Jones, as I said, 95 percent of our products are purchased—manufactured in Tulsa. We have costed our products overseas and we can make them cheaper in Tulsa, Okla., our products that we use. We have not had a problem with that in the equipment we make. Spinning reels can be purchased cheaper overseas but I don't think it is as much of the cost differential as the fact they pay the excise tax on cost in one instance whereas other people pay it on the selling price.

Your gross margins are involved. I don't really understand why a foreign manufacturer has some advantage, that that affects this problem this much. I think it is interpretation of what is the first sale. They are saying it is the import value and we are saying it should be the selling price to the trade.

Mr. JONES. Mr. Lowrance.

Mr. LOWRANCE. Mr. Jones, the company that sent us the letter is a very major company that produces both in the United States and overseas, and it was on fishing rods, and they have a fair amount of labor in them. On items that do have labor in them, then the advantage becomes very significant for the importer, because the taxes, even if paid fairly—and the company that submitted this example spent $1.3 million in legal fees in controversies with the government in the last 15-20 years, so I am sure from their statements that they pay it the legitimate way and it results in a 2-to-1 advantage.

With more labor content it could be far more than 2-to-1. A rod has more labor content than, as Mr. Howard said, when he says 5 percent he talks of 5 percent of their volume. What people are not familiar with the industry may not know, Zebco is a tremendous producer of very low cost reels. They assemble, I don't know, tens of thousands of reels a week or a day but all of their rods that have some labor in them are imported and all of their open-faced spinning reels, the quality reels that require fitting and machining and so forth, are all imported.

So when you look at their statistics and they say 95 percent they build in the United States, they are talking about assembly of very low cost, very low labor content products. The products that have any labor content to speak of they import. The major importers of the industry would love this because it gives them additional advantages over the domestic manufacturer.

Mr. **HOWARD**. Something happened since I left Tulsa, if Mr. Lowrance's statement is true, because all of our rods, 90-some percent, are made in Miami, Fla.

Mr. **LOWRANCE**. That is not my understanding from other people in the company. But be that as it may.

Mr. **JONES**. Thank you, Mr. Chairman.

Mr. **RANGEL**. On behalf of the Chair and the committee, we thank the panel.

The last panel is Ted and Francoise Gianoutsos, private citizens, and Lonnie Williamson from the Wildlife Management Institute.

Mr. Gianoutsos, your statement will appear in the record and you may proceed.

STATEMENT OF TED AND FRANCOISE GIANOUTSOS, ARLINGTON, VA.

Mr. **GIANOUTSOS**. Mr. Chairman and members of the committee, it is a great honor and privilege for us to be here today to testify in behalf of recently introduced legislation to establish a National Fish and Wildlife Foundation. We would like to briefly describe, to you and the committee, our interest in seeing such a foundation created.

We share the immigrants' love for America, principally because Ted's parents are greek immigrants to America and Francoise herself is an immigrant from France. Over the past 20 years of our marriage we have often remarked at how fortunate we are to be able to enjoy the many benefits and opportunities which our country affords us. As we have matured we have come to realize that with those benefits and opportunities come responsibilities and there comes a time when one should, in President Kennedy's words, "Ask not what your country can do for you, but what you can do for your country."

In truth, America has been very good to us. We had the opportunity to earn several university degrees, thanks in large part to government loans and grants of one type or another. We have prospered and live a relatively very comfortable life. Many times over the past several years we have asked ourselves what can we do to help our country. Several events of 1982 crystalized our thoughts and motivated us to act.

We suffered two deaths in the family (Francoise's mother and great-uncle passed on closely following the death of her father who died 3 years ago), our brother-in-law, only 7 years older than we, suffered a massive heart attack, and finally we were run off the road at high speed by an oncoming truck and were brought face to face with our own mortality. Realizing that the remaining members of our family were relatively well-off and having no children, we focused our attention on our estate.

Mr. Chairman, our greatest pleasure in life is to be out in the woods and fields. We are both avid outdoor people and particularly enjoy hunting, fishing, and training bird dogs; currently two labradors. We spend every spare moment dog training or hunting or fishing or photographing wildlife or walking in the woods or just lying in some field watching the grass grow. Fish and wildlife conservation is therefore the area in which we have chosen to make our modest contribution.

We became aware of the Department of the Interior's mission and especially that of the Fish and Wildlife Service through Ted's association with Interior over the last 5 years. We have developed a great respect and affection for the Department of the Interior, and the more we learned about the Fish and Wildlife Service's programs, the more we became convinced that we could and should help.

In January, of this year, we asked our friend and attorney Pat O'Connor of O'Connor & Hannan to help us redraft our wills and establish a 30-year testamentary trust for the benefit of the U.S. Fish and Wildlife Service. Our wish is to have the bulk of our estate invested in 30-year U.S. Treasury Securities with the interest to be annually given to the Service for use in their programs of hunter education, ethics, and safety and recovery of endangered species, particularly raptors.

At the end of the 30 years the principal would also be given to the Service and thus over the course of 30 years several million dollars would be made available for these important programs.

During the course of meetings at Interior with our attorneys, Interior attorneys, and program people, it became apparent that although Interior and the Service had gift authority, no mechanism existed, other than the National Park Foundation (which can only by law benefit Park Service programs), for the reception and administration of a multiyear grant or trust. We realized that we had inadvertently been presented with an opportunity to be of more immediate use to the Fish and Wildlife Foundation.

We decided to meet the challenge and assume the responsibilities of championing the Foundation's cause. We have been enthusiastically and warmly supported and encouraged by many professionals with the Fish and Wildlife Service and especially by Director Jantzen and Assistant Secretary Arnett. There was no need to search very far for someone to introduce such legislation in the House and Senate. The natural choices were Mr. Breaux and Mr. Chafee.

Their enthusiastic response and the most generous contribution of their time and efforts, and that of their staffs to draft, introduce, and hold hearings on this legislation, are greatly appreciated by us and will not be forgotten. We sincerely thank Mr. Breaux and Mr. Chafee for being so accessible and so willing to help.

This foundation can and should be a focal point for those citizens and organizations who want to help the Service in its important work. Indeed if the Foundation had existed when DuPont made its generous multiyear grant to the Service for the Eagle Recovery program, two-thirds of the grant could have been invested to earn interest and this interest would have increased the grant and would therefore have benefited the eagle program that much more.

The Foundation could also allow individuals to become involved in a sustaining and ongoing manner, through some sort of associates program, with fish and wildlife programs. In this regard we would welcome the opportunity to participate in such a program and would look forward to making a grant, of several thousand dollars each year, to the Foundation for use in fish and wildlife programs.

Additionally, in order to see the Foundation started on a sound financial footing we have already made available a $5,000 check, entrusted to the care of the Secretary of the Interior until the Foundation is established, to be used as seed money. We hope that other citizens will join us in providing seed money, grants and bequests to the Foundation so that it may thrive and foster cooperation between the private and public sectors and citizens and their Government and thus carry out together the important work of conservation of the fish and wildlife resources of America.

Today, Mr. Chairman, the Committee on Ways and Means is meeting to hear testimony on this legislation, especially as it relates to taxation. We have no expertise in this area, Mr. Chairman, but nonetheless feel very strongly that the Foundation should be given as many tools as possible to attract contributions so as to help the Fish and Wildlife Service in its work. It is important that the Foundation be exempt from Federal, State, and local taxes, and that contributions to it would be regarded, for tax purposes, as gifts to the United States and therefore be deductible up to 50 percent of adjusted gross income.

More important, to those interested in making contributions of land to further wildlife conservation, is the provision in the legislation which says that deductions of partial interests would be deemed to meet part of the test required by Public Law 96–541, the Tax Treatment Extension Act, for deductibility.

With passage of the Tax Treatment Extension Act in 1980, Congress amended section 170(h) of the Tax Code to insure the deductibility of donations of partial interests in land for conservation purposes. This is important because the donation of conservation easements is a significant protection tool that will only be effective if the contribution is tax deductible.

However, deductibility is granted under that law only if the donation is determined to be of a qualified real property interest to a qualified organization for a qualified conservation purpose. The language in H.R. 2809 would simply have Congress establish the Foundation as a qualified organization under that law and determine that lands donated to it are for conservation purposes.

This is important because the Department of the Treasury has been very slow in implementing this provision and their recent regulations are very conservative. This will give certainty to those who may wish to make such contributions to the Foundation that their gifts of easements will be eligible for deduction as Congress intended.

In closing, Mr. Chairman, we would like to take this opportunity to thank all those who have demonstrated an interest in this legislation and helped us in our commitment to it; especially Pat O'Connor and Brian Phelan of O'Connor & Hannan, Brian Cole and Russ Fielding of the U.S. Fish and Wildlife Service, Steve Shimberg and Martha Pope of the Senate subcommittee staff, and Jeff Curtis on the House subcommittee staff, and of course our many friends of both parties in the Senate and House who have so enthusiastically supported and cosponsored this legislation.

Finally, I wish to quote Francoise's elegant closing statement which she made in her Senate testimony on May 19. She said and I quote: "Mr. Chairman, I am finished with our prepared statement, but there is one thing I would like to add personally, if I may. In my native country France, there are many political parties, each very narrow in spirit and philosophy and they therefore seldom rise above partisan concerns. I want you to know how proud and happy I am to see firsthand; that here in America, on an issue such as this, members of both national parties were equally enthusiastic in their support for this legislation. As an immigrant and a Democrat, I want to thank you, Senator Chafee, and tell you that I deeply appreciate your warm support and I will never forget it."

Mr. RANGEL. Thank you.

Mr. Williamson.

STATEMENT OF LONNIE L. WILLIAMSON, SECRETARY, WILDLIFE MANAGEMENT INSTITUTE

Mr. WILLIAMSON. Thank you, Mr. Chairman.

I am Lonnie L. Williamson, secretary of the Wildlife Management Institute, which is headquartered at 1101 14th Street, NW., Suite 725, Washington, D.C. 20005 [Tel. 202-371-1808]. Established in 1911, the Institute's purpose is restoration and improved management of wildlife in North America. It is staffed solely with experienced, professional natural resource managers.

We encourage the enactment of H.R. 2809 to establish a National Fish and Wildlife Foundation. This mechanism to encourage private donations to the U.S. Fish and Wildlife Service to further its important work is desirable in our view. Fish and wildlife programs always have been low on the priority lists of most State governments and at the Federal level. Historically, they are the last to get and the first to lose. Any opportunity to bolster our management capability, therefore, should be pursued. We believe H.R. 2809 offers such an opportunity.

The Foundation would offer several advantages over the Service's current authority to accept donations. Cash gifts could be enhanced through investment until they are used as just mentioned. Currently, such gifts are deposited in the Treasury and the Service does not receive the benefit of interest. More gifts of land, especially wetlands, could be directed to the Service's program.

For example, land donations where only a part of the acreage would serve the Service's mission could be accepted by the Foundation. The useful part could be transferred to the Service and the remainder either sold or managed to produce income that would benefit Service programs. The Service is reluctant to accept certain land donations now because it has no way to dispose of unwanted parcels profitably.

The Wildlife Management Institute urges the committee to approve H.R. 2809 because the Foundation could provide significant support to the important programs of the U.S. Fish and Wildlife Service.

Thank you, Mr. Chairman.

Mr. RANGEL. On behalf of the full committee, we thank the witnesses for their contribution.

The committee stands adjourned until the call of the Chair.

[Whereupon, at 1:03 p.m., the hearing was adjourned.]

[Submissions for the record follow:]

STATE OF ALABAMA,
DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES,
Montgomery, Ala., June 8, 1983.

Congressman DAN ROSTENKOWSKI,
Chairman, House Ways and Means Committee, Washington, D.C.
(Attention: Mr. John Salmon).

DEAR CONGRESSMAN ROSTENKOWSKI: I would like an opportunity to comment on the Dingell-Johnson Expansion Bill H.R. 2163 and would appreciate my comments becoming part of the hearing record.

Alabama, as with many other states, is experiencing steadily increasing demands by the boating and fishing public concurrent with severe budget restraints. Inflation alone has accounted for serious problems in our operating budget which cannot be met with license revenues and present federal aid funds. Our responsibilities to provide better boater access, to satisfy demands for fishing opportunities through creation of public fishing lakes, and to place needed emphasis on the research and management of fishery resources in public streams and reservoirs cannot be met without additional funding.

We have been on an austerity budget for more than four years and have been in a continual process of prioritizing our work in relation to available funds. The expansion of the present Dingell-Johnson funding base is the only viable alternative we see to allow us to meet the responsibilities to the fishermen of Alabama.

I urge you to support and facilitate the passage of H.R. 2163.

Sincerely yours,

CHARLES D. KELLEY, *Director.*

AMERICAN FISHERIES SOCIETY,
June 3, 1983.

Congressman DAN ROSTENKOWSKI,
Chairman, House Ways and Means Committee, Washington, D.C.
(Attention: Mr. John Salmon).

DEAR CONGRESSMAN ROSTENKOWSKI: I request that this letter and attached resolution be a part of the hearing record on H.R. 2163.

This is to inform you of this organization's support for H.R. 2163. In Kansas, as in many other states, due to the development of new waters within the past 25 years by several Federal agencies and/or through Federal funding, the demand for associated recreational opportunities and facilities has outgrown the State's funding capabilities. The additional "user pay" monies will help allow Kansas to develop those facilities as well as maintain the resource to meet the increasing demand.

The Kansas Chapter of the American Fisheries Society urges swift and positive action on this important expansion of the Dingell-Johnson Act.

Sincerely,

JERRY R. HAZLETT, *President,*
Kansas Chapter of the American Fisheries Society.

RESOLUTION—SUPPORT OF D.J. EXPANSION BILL H.R. 1724

Whereas moneys made available from the Dingell-Johnson Act have made substantial contributions to state fish management and research programs since 1950; and,

Whereas inflation has eroded the ability of D–J moneys to adequately fund the original programs initiated since the Act; and, Whereas the expansion of the Dingell-Johnson federal excise tax to include products not presently contributing to the funding of fisheries management and research programs has been introduced as House Resolution 1724 in this Congress; and,

Whereas the additional funding obtained by this tax expansion would greatly benefit the nation's fisheries resources and resource users while taxing those who receive the benefit; Therefore be it

Resolved, That the Kansas Chapter of the American Fisheries Society at its annual meeting in Manhattan, Kansas, this 25th day of March, 1983, supports the timely passage of H.R. 1724 through Congress; and,

Be it further Resolved, That copies of this resolution be sent to the Chairmen of the Senate Environment and Public Works Committee, Senate Finance Committee, the House Ways and Means Committee and House Merchant Marine and Fisheries Committee, Congressman John Breaux, and the Kansas Congressional Delegation.

JUNE 13, 1983.

Congressman DAN ROSTENKOWSKI,
Chairman, House Ways and Means Committee, Washington, D.C.
(Attention: John Salmon).

DEAR CONGRESSMAN ROSTENKOWSKI: This letter conveys the support of the membership of the Minnesota Chapter of the American Fisheries Society for H.R. 2163. Our society consists of the majority of practicing professional fisheries biologists in the State of Minnesota, including biologists from industry, state and federal government agencies, and academia. At our 1983 annual meeting we passed a strong resolution in favor of the provisions specified in H.R. 2163. Our membership feels that additional funds to support recreational fishing and boating would be of great benefit to the people of our state, and that the mechanism proposed by H.R. 2163 is an appropriate means of providing this funding.

Changes in the quality of fishing in Minnesota are an issue of great concern to our citizens. During the past legislative session, additional fishing license fees were authorized for the purpose of enhancement of the fishery resources, and to enable more effective management of those resources. During the Minnesota legislative hearings on fisheries issues, it was most impressive to recognize the sincere desire of the special interest groups to see more effective fishery management in Minnesota. More importantly, though, was the clear message that users are willing to pay just and reasonable costs associated with improved management. The original Dingell-Johnson legislation was a milestone in the process of internalizing management and research costs for fisheries resources. The legislation currently pending before your committee in H.R. 2163 furthers that tradition in a fair and equitable way. We urge you to continue to support this and similar legislation to enhance, protect and wisely manage our nation's fishery resources.

Very truly yours.

GEORGE R. SPANGLER,
President,
Minnesota Chapter of the American Fisheries Society.

AMERICAN FISHERIES SOCIETY, MONTANA CHAPTER,
Kalispell, Mont., June 14, 1983.

Hon. DAN ROSTENKOWSKI,
Chairman, House Ways and Means Committee, U.S. House of Representatives, Washington, D.C.

DEAR CONGRESSMAN ROSTENKOWSKI: I would like this correspondence to be entered as part of the Record in support of H.B. 2163. I have written earlier in support of this effort to enhance recreational boating and sport fishing programs. Our Chapter represents a broad cross-section of professionals in the fisheries field across the State of Montana. There is a strong interest in this legislation as it represents a seemingly good compromise measure. There must be a balance in those taxed to insure all pay equitably. There must also be a balance in expenditure providing both facilities for boating recreation and for the needs of those agencies responsible for managing sport fishing and other water based recreation.

The pay-as-you-go spirit exemplified by the sportsmen of this country has provided us with a true legacy of wildlife for the future. They have often been asked to pay for the benefits they receive and will do so again if the money is used wisely.

Public awareness of renewable resources is growing. The fisheries and water resources have long been a valuable part of our renewable resource base. This legislation goes a long way toward helping to insure that they are managed in such a way to sustain the opportunities for recreation. Whether through protection, enhancement, or providing access, the opportunities will certainly be diminished without passage of this Bill.

Sincerely,

PATRICK J. GRAHAM,
President.

AMERICAN FISHERIES SOCIETY, OHIO CHAPTER,
June 9, 1983.

Congressman DAN ROSTENKOWSKI,
Chairman, House Ways and Means Committee, Washington, D.C.
(Attention: John Salmon).

DEAR CONGRESSMAN ROSTENKOWSKI: I am a Professor of Zoology at Miami University (Oxford, OH) but am writing this letter in my capacity as President of the Ohio Chapter of the American Fisheries Society (AFS). On behalf of the Chapter, I urge your support of the Dingell-Johnson Sport Fishing and Boating Enhancement Bill (H.R. 2163).

The passage of H.R. 2163 is very important to Ohio. Each year, we have in excess of 1,000,000 licensed anglers and 300,000 licensed watercraft using the lakes and rivers of our state. The heavy use of these waterways makes it imperative that the Ohio Department of Natural Resources has sufficient funds to provide adequate boating safety and education programs, enforcement on the water, search-and-rescue operations, fisheries management, and acquisition and construction of new access sites across the state. H.R. 2163 would provide Ohio approximately 3.5 million *new* dollars annually for these activities.

The Ohio Chapter of the AFS believes that the importance of recreational fishing and boating to the total economy of our state and nation argues strongly for an increased financial commitment to the fisheries, facilities, and safety and education programs used by increasing numbers of anglers and boaters each year. H.R. 2163 provides for such a commitment.

Sincerely,

THOMAS E. WISSING,
President, Ohio Chapter, American Fisheries Society.

AMERICAN FISHERIES SOCIETY, SOUTHERN DIVISION,
Whittier, N.C., June 8, 1983.

Hon. DAN ROSTENKOWSKI,
Chairman, House Ways and Means Committee, House of Representatives, Washington, D.C.

DEAR CONGRESSMAN ROSTENKOWSKI: I understand that the H.R. Resolution 2163 (D-J Expansion Bill) is now before your committee for review.

On behalf of the Trout Committee of the Southern Division of the American Fisheries Society we would like to go on record as supporting this piece of legislation and hope for early enactment.

Sincerely,

JOHN L. BOAZE,
Chairman, Trout Committee.

AMERICAN FISHERIES SOCIETY, UPPER MISSOURI CHAPTER,
June 8, 1983.

Congressman DAN ROSTENKOWSKI,
Chairman, House Ways and Means Committee, Washington, D.C.
(Attention: John Salmon).

DEAR CONGRESSMAN ROSTENKOWSKI: Recently public hearings were held on H.R. 2163. I am asking that these comments be entered into the hearing record of H.R. 2163.

H.R. 2163 is a bill that could greatly expand boating and fishing opportunities in states such as North and South Dakota. During periods of high inflation and interest individual state budgets have been taxed to the limit to maintain existing boating and fishing programs. Passage of this bill would allow states such as the Dakotas with small populations, relatively large areas, and a great resource such as the

Federally constructed Missouri River reservoirs, the opportunity to expand facilities and services to meet public demands.

The U.S. Coast Guard no longer has detachments in North and South Dakota. The passage of this bill would allow for greater boating safety efforts. This could be accomplished through education, enforcement, and assistance programs.

Recent Federal hatchery closures, uncertainty of the Coop Fisheries Research Units, and the disbanding of the Reservoir Research Program have placed additional responsibilities on state agencies. These added responsibilities have come on the heels of high inflation and increased public demands for the aquatic resources.

Fisheries research and management efforts in the Dakotas have long been paid for by the user, the fishermen, and it is important to broaden the base of support for those important programs. The increase in boating demands also is followed by an increased demand on the fisheries themselves demanding that each state increase management and research efforts.

I cannot stress the importance of H.R. 2163 to states such as South Dakota which has one of, if not the highest, per capita rate of boat ownership in the United States. Passage of this bill would insure future generations the opportunity to experience the aquatic resources of the Dakotas' area.

Thank you for your consideration.

Sincerely,

DENNIS G. UNKENHOLZ,
President, Upper Missouri Chapter of AFS.

JOINT STATEMENT OF JOHN P. HARVILLE, EXECUTIVE DIRECTOR, PACIFIC MARINE FISHERIES COMMISSION; CHARLES H. LYLES, EXECUTIVE DIRECTOR, GULF STATES MARINE FISHERIES COMMISSION; IRWIN M. ALPERIN, EXECUTIVE DIRECTOR, ATLANTIC STATES MARINE FISHERIES COMMISSION

The three marine fisheries commissions, representing 24 coastal states, strongly support H.R. 2163, legislation to provide grants to States for recreational boating safety and for fishery restoration and management programs. H.R. 2163 also provides funds for certain Coast Guard activities, and provides for allocation of funds to marine fish projects. We request this statement of support be included in your Committee's hearing record of June 2, 1983.

In 1979 the fifteen states of the Atlantic States Marine Fisheries Commission officially resolved to support legislation to obtain additional revenues for boating safety and fishery restoration programs, and endorse H.R. 2163, which addresses both interrelated needs within a single piece of legislation. The Gulf States Marine Fisheries Commission has also passed a resolution of support.

The additional funding for recreational boating and fishery needs would be derived from appropriate sources, namely taxes paid by the nation's recreational boaters and fishermen. Under the provisions of H.R. 2163, the division of motorboat fuel tax revenues between boating safety and facilities and fisheries restoration and management is fair and equitable. The extension of the current excise tax on fishing tackle to all untaxed tackle items listed in the bill is also, in our estimation, entirely appropriate and more fair than the existing situation. The use of import duties from tackle and recreational craft for fish restoration activities is also sound.

A noticeable consensus of support exists for H.R. 2163. Virtually all of the major sport fishing and boating organizations—comprised of the individuals who pay the taxes—support this legislation. The association of boat and motor manufacturers supports this bill as do individual tackle manufacturers. This proposal has been arrived at through a long process of hearings and debate, and was passed by the Merchant Marine and Fisheries Committee unopposed on May 10, 1983.

The states' needs for additional funds provided by the Dingell-Johnson program for fisheries restoration and management projects is crucial and has been documented by an American Fisheries Society survey. The Dingell-Johnson program has been an effective, exemplary model of State-federal cooperation. But D-J must receive increased funds if the states are to do an adequate job of managing fisheries.

H.R. 2163 also addresses a serious need of marine fisheries. The Commissions totally favor the language that pertains to distribution of new D-J funds to marine fisheries projects, which have in many instances been neglected in the past. By requiring a fair portion of the new D-J money to be used on marine projects, Congress will be taking a step in the direction of assuring that marine boaters and anglers will receive a more fair portion of the money they contribute through paying equipment and fuel taxes.

We respectfully urge the Ways and Means Committee to give this legislation favorable consideration and expedite its passage.

THE PENNSYLVANIA STATE UNIVERSITY,
University Park, Pa., June 6, 1983.

Congressman DAN ROSTENKOWSKI,
Chairman, House Ways and Means Committee, Washington, D.C.
(Attention: John Salmon).

DEAR CONGRESSMAN: I would appreciate it if you would include this letter in the hearing record on H.R. 2163. As a retired educator in fishery science, I am especially aware that the recreational boating and fishery program is greatly in need of support.

Anyone who has been on our nation's waters during the past few years of our recent economic recession has noted the great surge of interest in fishing and boating. The demand for access and recreational services greatly exceeds the ability of government agencies and private developers to furnish these services. H.R. 2163 will be invaluable in helping to alleviate this demand.

There is ample proof for the willingness of the public to support this legislation through user fees such as fuel taxes and excise taxes on sport fishing equipment.

I trust that you will assist us in getting that legislation enacted by the Congress.

Sincerely,

EDWIN L. COOPER,
Fishery Educator (Retired).

COLUMBIA, MO., *June 6, 1983.*

Representative DAN ROSTENKOWSKI.

DEAR SIR: Please include this letter in the record of your June 2, 1983 hearing of H.R. 2163. I encourage your support and passage of this legislation.

It's one of those "everyone wins" bills. The anglers will benefit from better fisheries management, boaters will have easier and better access to their lakes and streams, and fishing tackle and boat manufacturers will benefit with more people boating and fishing.

H.R. 2163 is a good example of a "user pay" system. Anglers pay through the D-J excise tax and the boaters pay through the marine fuel tax. H.R. 2163 would provide the pay back to the users.

Please help us help ourselves. Vote for H.R. 2163.

JOE G. DILLARD.

SHERRILLS FORD, N.C., *June 11, 1983.*

DEAR CONGRESSMAN ROSTENKOWSKI: As an angler and one concerned about our nation's heavily taxed resources, I emphatically believe that passage of H.R. 2163 is crucial for the continued use of the aquatic resource in North Carolina and other States. State fisheries agencies are strapped for funds required to fulfill their responsibilities and to meet public expectations. Recent budget cuts by the Federal Government closed hatcheries, reduced fisheries restoration and research, and curtailed habitat protection efforts. Therefore, additional funds are needed by States to counteract the reduction in federal aid. As you know, H.R. 2163 will provide additional Dingell-Johnson funds for State marine and freshwater sport fisheries restoration, management and habitat protection and for improved public access to benefit boaters.

Please allow this letter to become a part of the hearing record on H.R. 2163.

Thank you for your time and consideration on this matter.

Respectfully yours,

RICHARD A. HANSEN.

COLUMBIA, MO., *June 7, 1983.*

Congressman DAN ROSTENKOWSKI,
Chairman, House Ways and Means Committee, Washington, D.C.
(Attention: John Salmon).

DEAR CONGRESSMAN ROSTENKOWSKI: I am writing in support of H.R. 2163. This bill is needed to continue many of the fisheries management and research projects in Missouri as well as to begin other projects to study Missouri's fish populations. Improving our fish populations will provide the anglers which utilize Missouri's waters with better fishing opportunities.

I encourage you and the other members of the Ways and Means Committee to support H.R. 2163. It will benefit all anglers and boaters throughout the nation, not only those in Missouri.

Please make this letter a part of the hearing record on H.R. 2163.

Sincerely,

PAMELA HAVERLAND.

JUNE 3, 1983.

HON. DAN ROSTENKOWSKI: I'm writing you regarding H.R. 2163 and would like to have this letter become part of the hearing record in support of the bill.

The State of Minnesota during this year's legislative session felt that fishing and water access were very important. The Omnibus Fishing bill was passed adding a $2.50 surcharge to each fishing license. That's important in Minnesota.

In Minnesota money from H.R. 2163 will be used for public access, trout stream habitat improvement, lake and stream inventory and planning, research into fish management problems and technical assistance to other agencies for the protection of fisheries habitat.

The federal money combined with the new state money will be very important contributions to enhanced fish management program and to the future expansion and protection of Minnesota's fishery.

Sincerely,

BRUCE HAWKINSON.

IDAHO DEPARTMENT OF FISH AND GAME,
Boise, Idaho, June 6, 1983.

Congressman DAN ROSTENKOWSKI,
Chairman, House Ways and Means Committee, Washington, D.C.
(Attention: John Salmon).

DEAR MR. CHAIRMAN: Please include these comments in the record of the June 2, 1983, House Ways and Means Committee Hearing on H.R. 2163.

The benefits H.R. 2163 can provide to sport fishing and recreational boating programs are great, and we urge your favorable action on the bill.

The user fee funding base in equitably derived and allocated. Targets of the bill are well placed in the areas of improved access to sport fishing and boating waters, boating safety and fishery management.

Consistent participation in the Dingell-Johnson program, with the use of state matching funds derived from sport fishing license fees, demonstrates Idaho's strong interest. Nineteen percent of our fisheries budget is Dingell-Johnson financed, and we note that in other states this proportion reaches as high as 60 percent.

We are fully into the era of overcrowded access points, recreational and sport fishing waters, and overutilized fisheries. H.R. 2163 would provide the only foreseeable meaningful progress.

Sincerely,

JERRY M. CONLEY,
Director.

IOWA CONSERVATION COMMISSION,
Des Moines, Iowa, June 8, 1983.

Hon. DAN ROSTENKOWSKI,
Chairman, House Ways and Means Committee, Washington, D.C.
(Attention: John Salmon).

DEAR CHAIRMAN ROSTENKOWSKI: The Iowa Conservation Commission respectfully requests that the contents of this letter be made part of the official public hearing record on H.R. 2163 held by the House Ways and Means Committee on June 2, 1983.

Public sport fishing and recreational boating are important facets in the quality of life for more than one million Iowa citizens. Over the last decade, Iowans have clearly shown that they regard these activities as their principal type of recreation and the need for additional facilities as well as the maintenance of present accommodations is crucial. The most pressing problem facing this agency emanates from the fact that 96 percent of the land in Iowa is privately owned, and free and easy access to public waters is greatly restricted. Today, a critical need exists for the acquisition of small land parcels and development of ancillary facilities such as parking lots and roads for 99 sites along our major stream courses, natural lakes, and great border rivers. Three additional small recreational lakes are badly needed for fishermen and boaters in the northwest, southwest, and northeast regions of this state where citizens must ride long distances to enjoy public fishing and boating. Trout fishing is the fastest-growing outdoor activity in this state; with only 315 miles of cold-water streams, there is a desperate need to obtain 55 miles of these streams for public ownership to preserve the precious water quality.

The annual cost of this program is $400,000 over the next decade. There is little hope that these public needs can be satisfied without enactment of H.R. 2163. Therefore, the Iowa Conservation Commission requests that the House Ways and Means Committee give favorable consideration to this legislation.

Respectfully submitted.

LARRY J. WILSON,
Director, Iowa Conservation Commission.

JAYHAWK BASSMASTERS,
Benedict, Kans., June 7, 1983.

Congressman DAN ROSTENKOWSKI,
Chairman, House Ways and Means Committee, Washington, D.C.
(Attention: John Salmon).

DEAR CONGRESSMAN: On behalf of the Jayhawk Bassmasters of Chanute, Kansas add our support for the D-J Expansion (H.R. 2163).

It is a must that we support the D-J Expansion (H.R. 2163) for the future of and maintaining the future of quality watersports activities. We ask that this become a part of the hearing record on H.R. 2163.

Sincerely,

LEON JOY, *President.*

STATEMENT OF HON. WALTER B. JONES, CHAIRMAN, COMMITTEE ON MERCHANT MARINE AND FISHERIES

Mr. Chairman, thank you for the privilege of presenting testimony on H.R. 2809 and H.R. 2163, both of which have been reported favorably by unanimous vote of the Committee on Merchant Marine and Fisheries.

The first bill, H.R. 2809, would establish a National Fish and Wildlife Foundation. If enacted, this legislation would create a not-for-profit organization to accept and manage trusts, real and/or personal property, and any other donations for the benefit of the U.S. Fish and Wildlife Service.

This Foundation, patterned after the National Park Service Foundation established in 1967 (Public Law 90-209), would be able to purchase property that is considered to be critical habitat, as identified by either the migratory Bird Commission or the U.S. Fish and Wildlife Service. This Foundation would provide yet another way to preserve our wildlife resources by using money supplied by the private sector.

There are several provisions in this legislation which I would like to highlight. First, this legislation establishes a nine member Board of Directors which will govern the Foundation. Second, there is a $1 million authorization level. This money is to be appropriated on a matching basis with contributions of up to $1 million. This money can also be used to fund any necessary administrative support services. Third, any income or property received by the Foundation would be exempt from Federal, State, and local taxes. Any qualified real property given or sold to the Foundation will also qualify for tax exemption.

In recent years, there has been an unfortunate decrease both in the interest shown by the executive branch in the protection of our wetlands and in the moneys provided for that purpose. This has happened despite the well known fact that wildlife, fisheries, and the purity of our waters are highly dependent on the existence of such areas. The Merchant Marine and Fisheries Committee has favorably reported H.R. 2395, a bill to extend the authorization of the Wetlands Loan Act through 1986, in order to continue to provide federal funding for the purchase of additional wetlands. However, experience shows that we cannot rely solely on Federal funding. The proposed Foundation is an important step since it opens the way for private contributions to the worthy goal of preserving and protecting these areas which are so vital to all Americans.

The second bill before the committee today, H.R. 2163, brings to fruition a great deal of effort and cooperation by the members of the Merchant Marine and Fisheries Committee and the representatives of a broad array of boating and fishing organizations. It merges two bills, H.R. 1724, the so-called Dingell-Johnson expansion bill, and H.R. 2163, the boating safety bill. Both bills received unanimous support in their respective subcommittees and the final product, H.R. 2163, was overwhelmingly approved by the full Merchant Marine and Fisheries Committee.

Title I of H.R. 2163, which amends the Federal Boat Safety Act, and chapter A of title II of the bill, which amends the Dingell-Johnson (D-J) Federal Aid in Sport Fish Restoration Act, are matters within the jurisdiction of the Merchant Marine and Fisheries Committee.

Chapter B of title II of H.R. 2163, which makes a series of amendments to the Internal Revenue Code is, of course, within the jurisdiction of the Ways and Means Committee and the matter under consideration today.

Traditionally, our committees have worked together to provide funding for D-J programs which are vital to the conservation of America's sport fish populations. D-J moneys are apportioned to the States and are used by the various States fish and wildlife agencies to provide for research, management, restoration, and development activities with respect to sport fish populations, including boating access facilities for our sport fishermen.

H.R. 2163 would expand the list of sportfishing tackle items subject to the 10 percent Federal excise tax, and divert import duties on yachts and pleasure craft. These funds would be used for the purposes of the D-J program. The expansion of taxable sport fishing items is supported by the majority of tackle manufacturers, and I do want to point out that it is the ultimate consumer—the angler—who will pay these taxes and import duties and who, in turn, will benefit from them. In addition the tackle and boating manufacturers should also benefit by increased sales of their products, stimulated by more and better fishing and boating access to our rivers, bays and oceans.

In addition, H.R. 2163 would change the time of payment of the excise tax on tackle items as many of these items are sold on a consignment basis and payment for such items is ofter delayed for long periods, putting the manufacturers in an unfavorable economic position. In addition, testimony on the Dingell-Johnson bill on behalf of several tackle manufacturers pointed out that importers of fishing tackle escape paying a large portion of the D-J tax by under-reporting the value of their merchandise and that many importers often set up "dummy companies" to facilitate such under-reporting. I respectfully request that the members of your committee examine this issue closely and seek to resolve this apparent inequity.

There is a demonstrated need for additional funds for the D-J program. Currently excise taxes on sport fishing tackle items provide approximately $32 million annually to the State fish and wildlife agencies. The American fisheries society, on the basis of a national survey of these agencies, has estimated that a funding shortfall of some $134 million now exists and is growing. This shortfall is largely due to the great increase in the number of anglers in the United States. In 1980 the U.S. Fish and Wildlife Service estimated that over 50 million Americans are engaged in this sport on an annual basis. In addition to the increase in the number of anglers, the technology used by these anglers has been vastly improved. Today fish can be more easily located by electronic fish finders. In addition, quiet trolling motors and nearly invisible fishing line have served to increase the catch-rate of many anglers. Together, the increase in angler numbers and the technology available have increased the pressure on sport-fish populations to the point where many of these populations are no longer self-sustaining. Expensive fish hatcheries are often needed and the administration is currently closing many such hatcheries on the grounds that this is not a proper Federal responsibility. The States, through their fish and wildlife agencies, are desperately in need of additional funding sources and I am hopeful that H.R. 2163 will provide this much needed funding.

The expanded list of items subject to excise tax, contained in chapter B of title II of this bill, would provide an additional $10-$12 million to the D-J program. This expansion, with few exceptions, is supported by the great majority of tackle manufacturers and by all of the sport fishing groups. These funds will be added to approximately $50 million which is expected to be generated from diversion of motorboat fuel taxes, and duties on imported pleasure craft and sport fishing tackle, as provided in title II, chapter A. Thus, a substantial sum will be made available for these worthwhile programs with only a relatively small increase in taxes. Even with these additional moneys the State agencies will still fall $30 million short of their demonstrated funding needs. I want to emphasize that this will occur at a time when the U.S. Fish and Wildlife Service and the National Marine Fisheries Service are reducing their efforts with respect to recreational fisheries.

I believe that all segments of the public—including recreational boaters and sport fishermen—should receive fair and equitable treatment under our laws. The goals of H.R. 2163 are most laudable in distributing user fees—taxes on motorboat fuels and on sport fishing tackle items—to programs which benefit these users while conserving our natural resources. The boating and sport fishing enthusiasts of our Nation have and will continue to pay these taxes willingly and deserve to see them devoted to these appropriate and beneficial purposes.

I strongly support both H.R. 2163 and H.R. 2809 and I urge the members of the Ways and Means Committee to report these measures to the full House without amendment so that they can be enacted in an expeditious manner.

COMMONWEALTH OF KENTUCKY,
DEPARTMENT OF FISH AND WILDLIFE RESOURCES,
Frankfort, Ky., June 1, 1983.

Hon. DAN ROSTENKOWSKI,
Chairman, House Ways and Means Committee, Washington, D.C.
(Attention: John Salmon).

DEAR CONGRESSMAN ROSTENKOWSKI: It is my understanding that H.R. 2163, a bill to enhance recreational boating and sport fishing programs, is scheduled for public hearing on Thursday, June 2, 1983. The following comments are respectfully submitted to become a part of the record of that hearing.

One out of every four people in Kentucky fish. Tourism and recreation, of which water orientated activities comprise a major portion, is a multi-billion dollar industry in our state. Our commitment as resource managers to continue to meet an increasing demand for fishing and associated recreational opportunities is suffering because of a lack of funding. We have determined that in order to adequately address these expanding needs, an additional $700,000 is needed for access area construction and maintenance programs, development of urban fishing programs, expansion of hatchery facilities and increased efforts in the areas of fishery research and management.

Mr. Chairman, the D-J Bill under consideration by your committee has broad support which includes a wide variety of organizations that represent the 54 million anglers and 60 million boaters who pay the excise taxes on sport fishing equipment and motorboat fuels, all state fish and wildlife agencies, boating associations and manufacturers, and many fishing tackle manufacturers.

Passage of this important piece of legislation is urgently needed with the bottom line reading economic dividends for all of us. I sincerely urge your support.

Sincerely,

PETER W. PFEIFFER,
Director, Division of Fisheries.

LITTLE FALLS, MINN., *June 6, 1983.*

Congressman DAN ROSTENKOWSKI,
Chairman, House Ways and Means Committee, Washington, D.C.
(Attention: John Salmon).

DEAR CONGRESSMAN ROSTENKOWSKI: I am writing this letter to become part of the hearing record on H.R. 2163. The demand for intensified Fisheries Management and an improved public access program are great here in Minnesota. D.J. monies cover about 50 percent of the management activities at my Fisheries Office and without them we could not maintain status quo management much less satisfy the demands of the fishing public. We have many plans to improve the resource, but manpower and equipment increases must be realized before these goals can be attempted to be reached. Minnesota has one of the biggest water resources in the United States. We have large numbers of non-resident visitors who contribute greatly to our economy because of our water resource. I must add my support, along with that of millions of anglers in Minnesota and across the nation, for the passage of this important legislation.

Sincerely,

JAMES LILIENTHAL,
Area Fisheries Supervisor.

Department of Inland Fisheries and Wildlife,
Augusta, Maine, June 7, 1983.

Congressman Dan Rostenkowski,
Chairman, House Ways and Means Committee, Washington, D.C.

Dear Congressman Rostenkowski: The State of Maine Department of Inland Fisheries and Wildlife would like to go on record in support of H.R. 2163, the D-J Expansion Bill.

The State of Maine currently provides some of the best fishing for salmon and trout in the Northeast. Quality fishing has created a large increase in fishing pressure throughout our State. In the past 5 years some of our most important waters have had fishing pressure increases up to 400 percent. Large increases in angler use and harvest result in the need for more intensive fishery management in order to maintain the existing high quality fisheries. Here in the State of Maine, our Fishery Research and Management Division receives only seven percent of our Department's budget, so D-J funds are most important in keeping our operation going. Inflation has eaten into our dedicated license sales revenues at a rapid rate. The need for additional funds for fishery management, research and hatcheries becomes even more important as angler pressures increase.

Sport fishermen have shown their support in the past. We believe they will support the expansion of D-J. Recreational boaters too have enjoyed the fruits of D-J access developments in the past. The use of a portion of the gas tax to continue to support this program makes great sense.

We enlist the support of your Committee in passing this much needed legislation.

Sincerely,

Peter M. Bourque,
Assistant Director, Fishery Division.

The Commonwealth of Massachusetts,
Division of Fisheries and Wildlife,
Westboro, Mass., June 13, 1983.

Congressman Dan Rostenkowski,
Chairman, House Ways and Means Committee, Washington, D.C.
(Attention: John Salmon).

Dear Congressman Rostenkowski: I am writing to you with respect to H.R. 2163 and wish to have this letter incorporated with the hearing record.

Although Massachusetts receives a minimal share of financial assistance under the D-J program; the additional monies that would be collected and disbursed to the states via the passage of this bill are urgently needed in states like Massachusetts.

Owing to our short growing seasons, relatively infertile waters yet high angling demands; the intensity of angling effort on very limited fish supplies is extremely high. To maintain viable recreational and economically sound inland fisheries we must depend heavily upon expensive hatchery and or intense and expensive management restoration efforts with such species as American shad and Atlantic salmon. Unfortunately we do not have the capability to attract and support high quality freshwater angling for non-residents who's license sales could be used to underwrite the expense of intense fisheries management.

Presently our state supports approximately 5-6 million inland angling trips per year valued conservatively to 60 million dollars per year. The Massachusetts Division of Fisheries and Wildlife spends approximately 1.4 million dollars for fisheries management purposes from monies derived totally from license sales and federal aid. Presently the resident license fee of $12.00 is one of the highest in the nation.

With normal increases in labor, energy costs, plus the actual and threatened loss of fishable habitat from acid rain it becomes obvious that less and less management effort and research will be directed at our waters at a time when they are urgently needed.

I am confident that your committee has heard reams of testimony surrounding this important piece of legislation and am hopeful that in view of the recent revisions they will report the bill out with a favorable recommendation to the House.

Thank you very much for providing me with this opportunity to comment upon this important piece of legislation.

Sincerely,

Peter H. Oatis,
Assistant Director, Fisheries.

State of Minnesota,
Department of Natural Resources,
Brainerd, Minn., June 8, 1983.

Congressman Dan Rostenkowski,
Chairman, House Ways and Means Committee, Washington, D.C.
(Attention: John Salmon).

Dear Congressman Rostenkowski: I ask that these comments become a part of the hearing record on H.R. 2163—D-J Expansion.

My specific function in Minnesota Fisheries in Central Minnesota is management of the fisheries resource. I have been well aware in my 29½ years of fisheries work of the value of Dingell-Johnson funds. My field experience was first with specific D-J operations, and back in the 1950's, these projects such as northern pike rescue, panfish removal, and stream trout lake conversion could not have been accomplished without D-J funding.

Now, in these later years, I note that D-J funds are more important than ever in matters of creel census, population assessments, and lake surveys. These functions aid us tremendously in gaining knowledge of our waters and provide the necessary information to properly manage the fisheries populations.

The expansion of D-J under H.R. 2163 will certainly go a long way to prevent funding shortfalls of our fisheries programs. Thank you for the opportunity to express my views.

Sincerely,

William R. Johnson,
Acting Regional Fisheries Supervisor.

State of Minnesota,
Department of Natural Resources,
Windom, Minn., June 2, 1983.

Re D-J Expansion bill (H.R. 2163).
Congressman Dan Rostenkowski,
Chairman, House Ways and Means Committee, Washington, D.C.
(Attention: John Salmon).

Dear Sir: The additional funds that would be provided by this bill are essential to providing satisfactory sportfishing for an ever increasing number of fishermen, who are becoming more highly skilled and better equipped each year. The demand created by this increased fishing pressure will result in poorer quality fishing unless there is additional funding for research, establishing management plans with long range goals, evaluating the success of special regulations and other management techniques, law enforcement, and education. Also, adequate funds have not been available for needed acquisition and improvement of public access areas.

This bill (H.R. 2163) would help provide these benefits to the motorboat users who have paid the Federal Motorboat Fuels Tax.

Your help in passing this bill will be much appreciated by all sportfishermen, boat owners, and campers.

Thank you.

Sincerely,

Marvin Ingbritson,
Assistant Area Fisheries Manager.

P.S.—Please include this letter as part of the hearing record on H.R. 2163.

Montana Department of Fish, Wildlife and Parks,
Helena, Mont., May 27, 1983.

Hon. Dan Rostenkowski,
Chairman, House Ways and Means Committee, Washington, D.C.

Dear Congressman Rostenkowski: The Montana Department of Fish, Wildlife and Parks strongly supports H.R. 2163, the Dingell-Johnson expansion bill. The increased funds for state fisheries management and research projects is essential for Montana's and other state fisheries programs to meet the needs of increased recreational uses of this nation's sport fisheries resource. We believe this legislation very fairly distributes the costs of necessary increases in fisheries management efforts among most of the users of the resource. It also allows funds from gas taxes and import duties, which are already paid by many boating anglers, to be used for improving both boating and fishing opportunities.

We urge your committees favorable consideration of H.R. 2163, the D–J expansion bill.

Sincerely,

JAMES W. FLYNN, *Director.*

MONTANA WILDLIFE FEDERATION,
Bozeman, Mont., June 15, 1983.

Hon. DAN ROSTENKOWSKI,
Chairman, House Ways and Means Committee, Washington, D.C.
(Attention: John Salmon).

DEAR CONGRESSMAN ROSTENKOWSKI: The Montana Wildlife Federation strongly supports H.R. 2163, the bill expanding the Dingell-Johnson program. The D–J program has provided essential financial support for fisheries management in Montana, and the increased funds for research and state management programs is extremely important for our state.

We believe that additional funds from the motorboat fuels tax and import duties on foreign boats and tackle is an equitable distribution of costs among those who will benefit from improved fisheries programs.

The Montana Wildlife Federation urges your committee to approve H.R. 2163. Please include our comments as a part of the hearing record on H.R. 2163.

Sincerely,

JIM E. RICHARD, *President.*

STATEMENT OF GEORGE W. STEWART, JR., NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS

Mr. Chairman, Members of the Committee, my name is George W. Stewart, Jr., Boating Law Administrator for Delaware and Chairman of the Legislative Committee of the National Association of State Boating Law Administrators.

My testimony today is to voice strong support of our Association for H.R. 2163, "an act to amend the Federal Boat Safety Act of 1971."

H.R. 2163 authorizes the Secretary to expend in fiscal years 1984 through 1988 such amounts as are provided in the appropriations act for liquidation of contract authority. This makes H.R. 2163 of utmost importance to our organization because without this authorization our boating safety funds would lay dormant.

Our Association is pleased to see the U.S. Coast Guard receiving part of the funds. We concur with others who believe that the fuel tax to fund Coast Guard activities and services provided to the recreational boating community is more efficient, administratively less costly and is more equitable than the much talked about proposed boat user fee legislation.

The funding mechanism of H.R. 2163 would, in the opinion of our Association, draw the States and Coast Guard closer together in our joint efforts towards our common goal of safe and enjoyable boating for all who use our nation's waterways. Between the States and the U.S. Coast Guard, we have the knowledge and desire to do the job. H.R. 2163 would provide the funds and direction to allow us to move forward with a proven program known to be in the best interest of the boating public.

Our Association believes H.R. 2163 will go far in reducing Federal involvement and shifting to the States the responsibility for providing service to the Marine Community. This is exactly as it should be and with the Committee's help in passing H.R. 2163, it will prove successful.

H.R. 2163 is considered to be the most effective, the most cost effective, manner to achieve our objective of safe and enjoyable for the more than 60 million of our citizens who use our nation's waterways. The law allows the boater to pay their own way, without costing the non-boating taxpayer one penny. With the funds provided by H.R. 2163, the States will be able to reduce accidents and fatalities, relieve the Coast Guard Boating Safety Teams on many of the nation's waterways, provide a higher quality of boating education, produce a system of investigating and reporting boat accidents and most of all, provide for a more rapid response to boats in distress.

With the national trend of steady increase in registered boats, the need for a positive boating safety program has never been greater. The States must play an even greater role and assume additional responsibilities for recreational boating safety in the future. Needless to say, this will relieve the Coast Guard to focus on the many other responsibilities that a shift of national priorities have placed on the service. We feel the Coast Guard needs the States assistance in the area of boating safety on joint jurisdictional waters.

Our precious national resource, "our waterways," not only entices the boating public within our own State boundaries, but also thousands of boaters from neighboring States. Our waterways satisfy the insatiable appetite of sportfishermen, the recreational boating enthusiast and those who desire to leave pressure behind to relax and absorb the tranquility of our waterways and beaches.

Unfortunately, it isn't always "fair winds and following seas" and many times a boater is lured into a false sense of security. Severe thunderstorms with gale force or higher winds can approach on short notice and turn a fun-filled boating outing into a nightmare. Our boaters are not privileged to stop in safety and call a towboat. Many times, they are floundering or drifting helplessly due to sea conditions or mechanical failure and loss of radio. A beautiful sight for a boat in distress is a State or Coast Guard boat to appear on the scene.

Our Association is a firm believer of uniformity and reciprocity of boating laws. They also believe that a boater in distress should be rendered assistance by the most expeditious means available. Who conducts the rescue is not important. What is important, is that the rescue is made.

In summary, Mr. Chairman, our Association believes there is a need for a close working relationship between the States and the U.S. Coast Guard. We feel that H.R. 2163 will go far in cementing this relationship. Reaping the benefits of this farsighted legislation will be the 60 million of our citizens who go boating.

Thank you, Mr. Chairman, for allowing the National Association of State Boating Law Administrators to enter this statement into your Committee hearing on H.R. 2163.

Thank you.

NATIONAL COMMITTEE FOR EXPANSION OF THE DINGELL-JOHNSON FUND,
Bethesda, Md., June 6, 1983.

Congressman DAN ROSTENKOWSKI,
Chairman, House Ways and Means Committee, Washington, D.C.
(Attention: John Salmon).

SIR: This letter is in support of H.R. 2163. Please make it a part of the hearing record on that bill.

The number one participating sport in the United States is in trouble. Predictably, the high rate of unemployment has increased the number of people going fishing, very often in their home state. More money is needed to keep fishing a viable sport and Utah is no exception.

Utah has suffered the usual budget problems from decreased sportsmen income. Facilities are deteriorating, at the same time sportsmen pressure is increasing.

Recently, Secretary Watt decreed that the Federal Jones Hole Hatchery in Utah would be closed. Utah must pick up a large part of the tab for that operation, still another strain on the budget.

As a sportsman and a professional manager, I wholeheartedly support H.R. 2163.

Sincerely,

W. F. SIGLER,
State Coordinator.

STATE OF NEW JERSEY,
DEPARTMENT OF ENVIRONMENTAL PROTECTION,
Trenton, N.J., June 14, 1983.

Hon. DAN ROSTENKOWSKI,
Chairman, House Ways and Means Committee, Washington, D.C.
(Attention: John Salmon).

DEAR CONGRESSMAN ROSTENKOWSKI: Please incorporate the following statement into the House Ways and Means Committee hearing record on H.R. 2163.

The New Jersey Division of Fish, Game and Wildlife strongly supports H.R. 2163. The bill is a well conceived legislative initiative which is geared to provide essential additional funding to state fishery management programs, boating access and boating safety programs.

New Jersey has over 1.5 million recreational fishermen and boaters, and that number is steadily increasing. At the same time available access to the water is decreasing. It has been estimated that the value of the marine recreational fishery alone is in excess of $500 million annually to the state's economy, yet funding for state fishery management and enhancement programs becomes more difficult to finance each year.

H.R. 2163 is needed now if we are to continue to provide quality fishing and boating opportunities not only to the residents of New Jersey, but also to over one million non-residents who come to New Jersey each year to fish or boat.

H.R. 2163 is a user-fee type of bill. It imposes a tax on various types of fishing gear, electric trolling motors, imported yachts and pleasure craft and marine fuels. Despite this, the bill is over-whelmingly supported by a very large and diverse group of organizations representing sport fisherman, state boating law administrators, fish and wildlife administrators, boat manufacturers, sporting goods manufacturers and many other users who will be paying the user fees.

The timely and affirmative action of your committee on this most important matter would be most appreciated.

Sincerely,

RUSSELL A. COOKINGHAM, *Director.*

THE OHIO STATE UNIVERSITY, DEPARTMENT OF ZOOLOGY,
Columbus, Ohio, June 6, 1983.

Congressman DAN ROSTENKOWSKI,
Chairman, House Ways and Means Committee, Washington, D.C.
(Attention: John Salmon).

DEAR CONGRESSMAN ROSTENKOWSKI: I am writing to ask you to include this letter as part of the hearing record for H.R. 2163, a bill to amend the Federal Aid in Fish Restoration Act. The present Act, known as Dingell-Johnson Federal Aid, now imposes a 10% Federal manufacturer's excise tax on fishing rods, creels, and artificial lures. Though paid by the manufacturer, the cost is usually passed on to fishermen. The tax is then collected from the manufacturer by the Treasury Department and apportioned to states for the purposes of fishery restoration, enhancement, development, and research. These funds have been used to build lakes, launching facilities, and access areas; exciting new research in sport fishing has been supported by these funds. In short, this Act has had a tremendous positive impact on our recreational fisheries.

Please realize that sport fishing demand is doubling every 25 years. We no longer have the financial resources required to meet this increased demand, thus, I urge you to support this bill which will provide additional monies by taxing boats and motors in addition to the items listed above. I especially like the "user-pays" concept of this approach. Boat owners are fishermen; they benefit from the D-J programs but do not contribute their full share. As a professional in the field of fisheries, I encourage you to support this bill.

Sincerely yours,

ROY A. STEIN,
Associate Professor.

TROUT UNLIMITED, SOUTHEASTERN WISCONSIN CHAPTER,
Milwaukee, Wis., June 6, 1983.

Congressman DAN ROSTENKOWSKI,
Chairman, House Ways and Means Committee, Washington, D.C.

DEAR CONGRESSMAN ROSTENKOWSKI: I wish to go on record in support of the proposed legislation, D-J Expansion (H.R. 2163).

In recent years there has been an ever growing number of people utilizing our nation's water for both fishing and boating. On Lake Michigan I have seen an explosion of recreational boating due primarily to the trout and salmon stocking program. Local launch sites have incurred heavy utilization. State and local agencies are hard pressed to provide suitable fish management programs, boating safety programs and proper boating facilities. H.R. 2163 would greatly assist in providing for national recreational needs.

Sincerely,

ROBERT A. RETKO, *President.*

STATE OF WASHINGTON DEPARTMENT OF FISHERIES,
Olympia, Wash., June 8, 1983.

Hon. DAN ROSTENKOWSKI,
U.S. Congressman, Chairman, House Ways and Means Committee, Washington, D.C.
(Attention: John Salmon).

DEAR CONGRESSMAN ROSTENKOWSKI: This is intended to express to you our unqualified support for H.R. 2163, and we ask that this letter become part of the hearing record on this important legislation.

Our support for H.R. 2163 is based upon its provision for badly needed funds for cost-effective projects consistent with wise, sustained recreational use of public fisheries resources. In addition, these funds would come from those who would most benefit from the passage of H.R. 2163.

Please be assured that even in the relatively unspoiled and water-rich environs of the Pacific Northwest, the public interest and demand for recreational fishing are such that programs providing access, habitat protection and fisheries enhancement are absolutely required to maintain satisfactory levels of recreational fishing opportunity.

Thank you for letting us comment on this important issue.

Sincerely,

WILLIAM R. WILKERSON, *Director.*

STATE OF WASHINGTON DEPARTMENT OF GAME,
Olympia, Wash., June 9, 1983.

Congressman DAN ROSTENKOWSKI,
Chairman, House Ways and Means Committee, Washington, D.C.
(Attention: John Salmon).

DEAR CHAIRMAN ROSTENKOWSKI: The Washington Department of Game would like to submit this letter as part of the permanent hearing record on H.R. 2163.

There exists a definite need for additional D.J. monies in Washington State. Habitat protection, new hatcheries, and additional research are just some of the identified projects that would be implemented if D.J. expansion became a reality. Professional fishery managers recommend these projects. In addition, they are expected by the public. Current level funding within our Agency is insufficient to meet fishery demands placed on the resource by the increasing population of anglers.

In conclusion, the need for additional funding is critical. We strongly support H.R. 2163 and request your endorsement for passage in this 98th Congress.

Very truly yours,

FRANK R. LOCKARD, *Director.*

COLUMBIA, MO., *June 12, 1983.*

Congressman DAN ROSTENKOWSKI,
Chairman, House Ways and Means Committee.

DEAR CONGRESSMAN ROSTENKOWSKI: Please make this statement a part of the official hearing record for H.R. 2163.

I support passage of H.R. 2163 because it is essential to continue and improve the sport fisheries throughout the country at a time when federal budget cuts are having serious adverse affects on outdoor recreation. As a professional in the field of fisheries research. I assure you that expanded D.J. funding is necessary to insure that states will be able to provide for the growing demand for fisheries related outdoor recreation. Thank you.

Sincerely,

JAMES WHITLEY.

JUNE 6, 1983.

Congressman DAN ROSTENKOWSKI,
Chairman, House Ways and Means Committee, Washington, D.C.
(Attention: John Salmon).

DEAR CONGRESSMAN ROSTENKOWSKI: I would request that this letter become part of the hearing record on House Bill H.R. 2163.

This important bill will provide approximately $1 million more to the State of Minnesota for more access to our lakes, improvement of our present accesses and funds to carry out more extensive fish management programs. To aid us in having the necessary funds to match the increased D–J monies, the 1983 Minnesota Legislature added a license surcharge that will generate approximately $4 million annually. With the increased emphasis on tourism in Minnesota, additional funds are necessary if we are to maintain high quality recreation.

In addition, sportsmen to whom I have talked are in favor of this important bill even though it will mean more money from them to participate in their recreation. This includes boaters as well as fishermen. Thank you for this opportunity to comment on this important piece of legislation.

Sincerely,

Paul J. Wingate,
Fisheries Research Supervisor.